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THE ACCOUNTANT

RECOGNIZED WEEKLY ORGAN FOR CHARTERED ACCOUNTANTS
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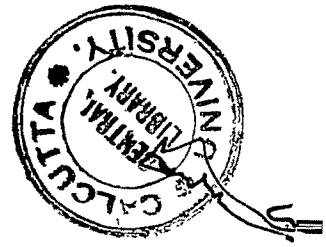


GENERAL INDEX

VOLUME CXLVI – JANUARY to JUNE 1962

v. 146
Jan.-June
1962

657.05
4C2

GEE & CO (PUBLISHERS) LIMITED
151 STRAND
LONDON
WC2

INDEX TO THE ACCOUNTANT

FROM JANUARY TO JUNE 1962

VOL. CXLVI

To facilitate reference to this volume, many of the page numbers have italic letters added, indicating:

a .. Articles
c .. Correspondence
l .. Lectures, Addresses, etc.
wn .. Weekly Notes
f .. Finance and Comme
p .. In Parliament

PAGE

A

Accident Policies, Sickness and (*Contributed*) 743*a*
Accountancy Practice in Europe (*Kenneth S. Most, LL.B., F.C.A.*) 673*a*
,, Tutors' Secretary Retires: Mr E. G. Robinson, A.A.C.C.A. 25

***Accountant, The*, Annual Awards, 1962 –**
Closing Date for Entries 17 73
Presentation Ceremony 717
Winning Companies 575

Accountant M.P. Not to Seek Re-election: Mr Geoffrey Stevens, F.C.A. 139
Accountants: 'Candidates for Truth' 85*a* 88*a*
,, Christian Fellowship 55 140 202 344 399 484 592 735 840
,, Congress, 1963, European 184*wn*
,, Image 768*wn*
,, in Demand: M.S.L. Index 747*wn*
,, Diaries 28
,, Dickensian 136*c*
,, Education and Training of (*W. T. Baxter, B.Com., C.A.*) 59*a*
,, Education for the Profession: The New Zealand Scheme (*Roy Sidebotham, B.A. (Com.), A.A.C.C.A.*) 223*a*
,, Negligence: Action Fails 537*wn*
,, Practice, Valuation of Work in Progress in a Chartered 449*c*
,, Training of 104*c* 135*c* 146 154*wn* 162*c* 192*c* 237*c* 275*c* 296*c* 333*c* 404*a* 491*c* 543*c*
,, Training of (reproduced from *Technology*) 146 154*wn*
Accounting, Seminar on Uniform 736
,, The Scope of Management (*J. P. Wilson, F.C.W.A., F.C.I.S.*) 252*l*

Accounting World –
Australia –
Audit Records 175
Second Chartered Accountants' Congress 65
Society's Seventy-fifth Anniversary 604
Belgium –
Income Tax Reform 701
Profession, The (*Murphy*) 823*a*
Professional Rules for Accountants 796
Tax Reform Bill 121
Brazil –
Abacus Society 605
Canada –
Capital or Revenue Expense? 410
Federal-Provincial Income Tax Collection 702
Imps of Canada Blazes an Accounting Trail .. 604
International Accounting Research 251
,, Responsibilities of Accountants .. 121
,, Tax Conference 176
Inventory Information 796
Lease-Backs and Consolidated Statements 175
Merger of Accounting Bodies 410
Staff Training 354

P

Accounting World – *cont.*
East Africa –
Income Tax Report .. ..
Europe –
Accountancy Practice in Europe (*Most*) 6
European Accountants' Congress, 1963 18
Germany –
Company Law Reform (*Niehus*) 5
Consolidated Accounting Problems .. .. ..
Profession in West Germany (*Voors*) .. ..
Tax Law Limits Travel Expenses .. .. ..
India –
Indian Cost Accountants New President .. ..
,, Institute's New Committee .. .. ..
Netherlands –
Death of Veteran Accountant .. .. ..
Netherlands Institute Elections .. .. ..
New Zealand –
Accountant's New Government Appointment .. .
Education for the Profession (*Sidebotham*) 2
Society of Accountants' Annual Report .. ..
Overseas Tax Developments 605
Profession Abroad, The (*Murphy*) 766*a* 8
South Africa –
Budget Proposals .. ..
Decimalization Success 262*wn*
New Legislation on Auditing .. .. ..
,, Tax Proposals .. ..
P.A.Y.E. .. ..
United States –
Accountants and Tax Law .. ..
'Cash Flow' Analysis .. ..
Controllers Institute: Change of Name .. ..
Growth of the American Institute .. .. ..
Management Accountant's Opportunity .. ..
Mathematics and Statistics in the Accounting Curriculum .. ..
Mergers of Accounting Firms .. .. ..
Misstated Inventories .. ..
Opposition to Tax Proposals .. .. ..
Pension Planning and Unauthorized Practice of Law
Price Indices in Property Accounting .. ..
Professional Development Programme .. ..
,, Ethics: American Institute's New Rule
,, Incorporation .. ..
Status of the Accounting Profession .. ..
Unified Cost Concept? .. ..

Accounts, Joint Venture .. ..
,, Model: London Stock Exchange Annual Report 65
,, of Limited Companies, Terms used in Published: Notes issued by The Institute of Chartered Accountants in England and Wales 561*a* 567 597
Acquisition of Company: Determining Cost of Shares ..
Adams (Durham) Ltd .. ..
Agricultural Machinery Trade .. ..
Aid for Development: O.E.C.D. Report 38
AIESEC: Association Internationale des Etudiants en Sciences Economiques et Commerciales 38
Alenco Ltd .. ..
Anderson, W. R., F.A.C.C.A., A.C.I.S. – Leadership in the Office .. ..
Annotated Tax Cases 28 168 344 468

PAGE

Annuity Problem 613*c*
Appeal Court Proceedings, Shortening .. .. .. 38 *wn*
Appointment of Auditors: Procedure 134*c*
Appointments to the Council of the Institute 728*c*
Apprentice of the Year Awards 166
Apprentices in Engineering 577*wn*
Architect and his Office, The: Practising a Profession (*Contributed*) 699*a*
Articles, Outdated: Training of Accountants .. 146 153*wn*
Assessment Query 545*c* 583*c* 657*c*
Associated British Engineering Ltd 732*f*
,, Motor Cycles Ltd 488*f* 712*f*
Association of British Chambers of Commerce Budget Recommendations 67*wn*

Association of Certified and Corporate Accountants –

Annual Meeting 524*a* 550
Examination Results, December 1961 .. .. 291*wn* 310
International Congress Charter Flight 635
Jubilee Golf Trophy 760
List of Members 240
Memorandum on Decimal Currency 706*wn* 709
President and Vice-President Elected 485*wn*
President's Luncheon Party 139
Report of the Council 423
Week-end School 425

Association of English Chartered Accountants in Scotland –
Annual Meeting 428
Association of International Accountants' New Regulation 635
Association of Scottish Chartered Accountants in London –
Annual Meeting 371
Golf Club 371
Association of Scottish Chartered Accountants in the Midlands – Annual Dinner 307
Association of Superannuation and Pension Funds .. 636 816
Association of University Accounting Students: Annual Conference 590
Auditing, Statements on: The Institute of Chartered Accountants in England and Wales – Stock-in-trade and Work in progress 345*c* 355
Auditors, Appointment of: Procedure 334*c*
,, Principles: *The Financial Times* 'Sixty Years Ago' 448*f*
,, Report Criticized: When is 'Fair' not Fair? 85*c* 88*a*
,, Trade Unions and Professional 162*c*
Austerity in Canada 824*wn*
Avoidance, Profits Tax (*H. S. A. Macnair, F.C.A.*) .. 143*a*

B

Back Duty Muddle, Clearing up the 707*wn*
,, Reverse, Revenue 523*a*
Balance of Payments 402*wn*
Balancing the Account 309*wn*
Bank Chairmen's Reviews 288*wn*
Deposits Easier 707*wn*
Holiday Crossword (*Kenneth Trickett, F.C.A.*) .. 776–788
of England Notes, Old £1 .. .. 608*own*
,, ,, Quarterly Bulletin 832*wn*
Rate Changes 382*wn* 574*wn*
Bankruptcies in 1961 .. .. 608*own*
Bankruptcy Law and Deeds of Arrangement: Report .. 785*p*
Barclays Bank Ltd 100*f*
Barrister-at-law – Section 209 under Fire 764*a*
Barter, *W. T., B.Com., C.A.* – The Education and Training of Accountants 59*a*
Beds., Bucks and Herts Branch, London and District Society of Chartered Accountants –
Annual Meeting 735
Belfast Society of Chartered Accountants –
Annual Dinner 166
,, Meeting 467
Students' Group 241
Benford, S. & W., Ltd 188*f*
Birmingham and District Society of Chartered Accountants –
Annual Dinner 341
,, Meeting 759
Birmingham Industrial Trust Ltd 446*f*
Birthday Honours 746*wn*

PAGE

Bradford and District Chartered Accountant Students' Society Newsletter 560
Bradford and District Society of Chartered Accountants: C. W. Boyce Prizes 371
Bristol and West of England Society of Chartered Accountants –
Annual Meeting 839
British Association of Accountants and Auditors: Week-end School 400
,, Computer Society 242 787
,, Council: Annual Report 242
,, Council: 'City of London' Course 635
,, European Airways: Cut in Services .. 230*own* 297*c*
,, Exhibition in Stockholm 262*wn*
,, Institute of Management –
Efficiency Comparisons within Large Organizations 229*wn*
Market Research Survey 128*wn*
Midland Management Conference 344
One-day Conference 28
,, *Medical Journal Supplement:* Hospital Consultants' Tax Assessments 115*a*
,, Motor Corporation and Rolls-Royce 9*wn*
,, Oxygen Co Ltd 266*f*
,, United Provident Association: Accountants' Group 755*c*
Budget Day 290*own*
,, Irish 485*wn*
,, on Television 412*wn*
,, Recommendations –
Association of British Chambers of Commerce 67*wn*
Council for the Reduction of Taxation .. 382*wn*
Federation of British Industries 291*wn*
Income Tax Payers' Society 67*wn*
Incorporated Society of British Advertisers and the Institute of Practitioners in Advertising 155*wn*
Institute of Chartered Accountants of Scotland 217*a*
Institute of Directors 126*wn*
Institute of Municipal Treasurers and Accountants 261*wn*
Institute of Taxation 142*a*
National Association of British Manufacturers 67*wn*
Trades Union Congress 217*a*
The .. .. 42..
Builders' Supplies: Stock Records 77*c*
Building Cost Information Service 110
,, Society Accounts: 'Sir Harold Bellman' Award 635
,, ,, Inspector's Final Report on Lloyds Permanent 128*wn*
Business Efficiency Exhibition 168 272 787
,, Names Registered in 1961 309
,, Research Centre: Research on Decision Making 186*wn*
,, Studies, New Higher Award in 241

C

Cable and Wireless (Holding) Ltd 385*f*
Cambridge Board of Extra-Mural Studies: Course for Managers 309
Campbell's Soups Ltd 15*f*
Canada, Austerity in 824*wn*
Capital Allowances on Leased Factories 185*wn*
,, Gains Fears 290*wn*
,, ,, in America 154*wn*
,, ,, Tax on Short-term: Finance Bill 521*a* 697*a*
,, ,, Taxing 403*a*
,, ,, Trading for 382*wn*
,, Movements of Private 412*wn*
,, Profits, Distribution of (*M. J. Greener, B.A., A.C.A.*) 247*a*
Cars, Hiring or Owning 162*c*
Carter, R. J., B.Com., F.C.A. – Training for the Profession – Fact and Fantasy 404*a*
Census of Distribution and Other Services for 1961 27 308 695
Change of Business, Effect of: Profits Tax (*T. J. Sophian*) 640*a*
Charities, Registration of National 437*a*
Chartered Accountant Appointments –
British Railways Committee: Col D. H. Cameron of Lochiel, T.D., B.A., F.C.A., Mr P. H. Shirley, F.C.A. (Aust.), Sir Reginald H. Wilson, B.COM., M.INST.T., C.A. 559
Chairman of East Midlands Electricity Board: Mr A. N. Todd, F.C.A. 25

PAGE

Chartered Accountants Appointments – *cont.*
Chairman of Iron and Steel Holdings and Realization Agency: Mr W. H. Lawson, C.B.E., B.A., F.C.A. .. 25
Executive Member of Iron and Steel Board: Mr R. W. Foad, F.C.A. 139
Government Director of Bailey (Malta) Ltd: Mr William Rendell, M.A., F.C.A. 558
Inspector into Affairs of Bailey (Malta) Ltd: Mr J. R. Murie, B.A., C.A. 558
Inspector to Investigate Affairs of certain Livestock Companies: Mr W. H. Lawson, C.B.E., B.A., F.C.A. .. 733
Inspector to Investigate Affairs of Cope's Pools Ltd: Mr S. John Pears, F.C.A. 839
Inspector to Investigate Affairs of Two Rubber Companies: Mr E. R. Nicholson, F.C.A. 109
Member of the Restrictive Practices Court: Mr D. V. House, F.C.A. 558
Member of Review Body on Remuneration of Doctors and Dentists: Sir Archibald Forbes, G.B.E., C.A. .. 342
Members of Hospital Service Inquiry: Mr M. S. Rigden, A.C.A., F.H.A., and Mr E. D. B. Todd, F.S.A.A., A.I.M.T.A. 165
Minister of Labour and National Insurance (N.I.): Mr Herbert V. Kirk, F.C.A. 370
Professor of Accounting, University of London: Mr H. C. Edey, B.COM., F.C.A. 757
To Investigate Northern Ireland Railways: Mr H. A. Benson, C.B.E., F.C.A. 25
Chartered Accountant Students' Society of Leeds –
Annual Dinner 107
Programme 84
Chartered Accountant Students' Society of London –
Annual Meeting 587
New Magazine 560
News from the Committee 468
Spring Residential Course 309 560
Chartered Accountants' Benevolent Association –
Annual Meeting 371 465 631
,, Report 556
Cause to Support 291*wn*
Executive Committee Meeting 83 371 815
Chartered Accountants' Golfing Society .. 464 636 736 759
,, ,, Hockey Club 280 372
,, ,, Lawn Tennis Match 788
,, ,, Lodge No. 3162 735
,, ,, Week-end Conference: Messrs Thornton Baker & Co at Oxford 635
Chester and North Wales Branch, Liverpool Society of Chartered Accountants –
Annual Meeting 400
City Discussion Group of Chartered Accountants 27 309 428 592
,, Notes 17 46 76 103 133 161 192 237 266 302 333 367 389 419 448 491 543 580 612 656 684 716 752 776 809 830
,, of London College: Travers Lecture 372
Clover Dairies Ltd 827*f*
Clutsom & Kemp Ltd 577*f*
Coding Notices (*Félice V. Slade, A.C.A.*) 32*a*
Commencement and Cessation 545*c*
Common Market Debate 769*wn*
,, ,, Taxes in the: An Exercise in Crystal Gazing (*Alun Grier Davies*) .. 148*l*
,, ,, The: Information Service of E.E.C. .. 165
,, ,, Unions and the 574*wn*
,, ,, United Kingdom Commonwealth and: Hobart Paper No. 17 .. .. 413*wn*
Communications in Industry: Conference 202
Companies Act: Section 209 under Fire (*Barrister-at-law*) 764*a*
,, Disputed Debts of Insolvent (*W. H. D. Winder, M.A., LL.M.*) 563*a*
,, Registers (Federation of Malaya) Order, 1962 165
,, Registration: Change of Address 694
,, ,, Stamping of Documents .. 694
,, Report: Board of Trade 739*a*
,, Seeking Quotation on the London Stock Exchange, Notes on Information Required from (*J. A. Hunter, M.B.E., T.D.*) .. 37*l*
Company Finance 607*wn*
,, Land Sales, Tax on 637*a* 671*a*
,, Law Reform in Germany (*R. J. Niehus*) .. 525*a*
,, Law Reform: Jenkins Committee Report 747*wn* 768*wn* 785*p* 789*a* 817*a*
,, Profits and Dividends 19*c*
,, Reports, On Compiling 116*a* 193*c*

PAGE

Conferences, Courses and 303
Construction Industries, Planning for 679*wn*
Contractors' Profits (*Peter D. Taylor, F.C.A.*) .. 171*a* 295*c*
Control of Fixed Assets, Financial (*E. W. F. Rice, F.C.A.*) 122*l*
,, ,, Overheads (*H. H. Norcross, F.C.W.A.*) .. 226*l*
Cornhill Insurance Co Ltd 653*l*
Cost Consciousness: Institute of Directors' Conference .. 360*wn*
Costs and Stock Valuation, Standard (*H. A. V. Wilson, B.Com., F.C.A., A.C.W.A.*) 471*a*
,, Control of Overheads (*H. H. Norcross, F.C.W.A.*) 226*l*
Cotton, Under-employment in 680*wn*
Council for the Reduction of Taxation: Budget Recommendation 382*wn*
Courses and Conferences 303
Credit Control (*G. H. Day*) 703*l*
,, for Exports: Banks and Insurance Companies Scheme 98*wn*
,, Squeeze in Engineering 803*wn*
Crossword, Bank Holiday (*Kenneth Trickett, F.C.A.*) .. 760 788
,, Holiday (*Kenneth Trickett, F.C.A.*) 520 560

Current Law –

Annulment of Bankruptcy: Revival of Unproved Debt 810
Contract Made by Agent 686
Contributory's Winding-up Petition Dismissed .. 684
Date When Residue 'Realized' 68
Direction to Invest in 'Blue Chip' Investments .. 32
Effect of Option for Renewal of Lease 7
English Settlement Converted into Canadian .. .
Freeholders Leasing to Themselves 81
Hire-purchase Term Unenforceable 127*a*
Invalid Gift to Institutions 26
'Male Descendants' Does Not Exclude Females .. .
Merchantability in c. & f. Contract 8
Notice of Meeting Not Given 6
Payment Under Guarantee Deductible 707
Promise to Pay 'On or Before' Not a Promissory Note 444
Rating of Art Gallery .. ..
,, of Public Park .. ..
Repayment of Advance Commission .. ..
Sale of Charity Land .. ..
Servant Working at Risk to Health: Master Not Liable .
Settlor Under Incapacity by Foreign Law .. .. .
Tenant for Life's Leasing Powers .. ..
,, in Liquidation to Forfeit Lease 6
Undue Influence by Intended Husband .. .. .
Unenforceable Moneylending Contract .. .. .
Unpaid Vendor of Shares .. ..
Variation of Investment Clause 6
When a Beneficiary is 'Born' .. ..
Wife's Interest in Matrimonial Home .. .. .

Current Law – Cases Cited –

Allen *v.* Allen .. ..
Blake *v.* Hendon Corporation .. ..
Bronester Ltd *v.* Priddle .. ..
Campbell Discount Co Ltd *v.* Bridge 12
Clarke's Will Trusts, *Re* .. ..
Davies *v.* Sweet .. ..
Davis Investments (East Ham) Ltd, *Re* .. .. .
Du Cros' Settlement, *Re*, Du Cros Family Trustee Co Ltd *v.* Du Cros and Others .. ..
Edgware Trust Ltd *v.* Lawrence .. ..
Geland Manufacturing Co Ltd *v.* The Levy Estates Co Ltd .. ..
Harpur's Will Trusts, *Re*, Haller and Another *v.* Attorney-General and Others .. ..
Kingston-upon-Hull Corporation *v.* Clayton .. .. .
Kolb's Will Trusts, *Re*, Lloyds Bank Ltd *v.* Ullmann and Others .. ..
Langley's Settlement Trusts, *Re*, Lloyds Bank Ltd *v.* Langley and Others .. ..
Mash & Murrell Ltd *v.* Joseph I. Emanuel Ltd .. .
More *v.* More .. ..
Musselwhite and Another *v.* C. H. Musselwhite & Son Ltd and Others .. ..
Neville Estates Ltd *v.* Madden and Others .. .. .
Petrie, *Re*, Lloyds Bank Ltd *v.* Royal National Institute for the Blind and Others .. ..
Rycroft's Settlement, *Re*, Rycroft *v.* Rycroft and Others .. ..
Rye *v.* Rye .. ..
Seale's Marriage Settlement, *Re* .. ..

PAGE

Current Law – Cases Cited – *cont.*

Stern's Will Trusts, *Re*, Bartlett and Another *v.* Stern and Others 685
Weg Motors Ltd *v.* Hales and Others 79
West Canadian Collieries Ltd, *Re* 686
Williamson *v.* Rider 444*wn*
Withers *v.* Perry Chain Co Ltd 327
Zamet and Others *v.* Hyman and Another . . . 685

Cuthbert, R. & G., Ltd 266*f*

D

Dale, A., F.A.C.C.A. – Comparative Taxation: Profits from Foreign Sources 219*a*
Davies, Alun Grier – Taxes in the Common Market: An Exercise in Crystal Gazing 148*l*
Day, G. H. – Credit Control 703*l*
Decimal Currency and the Metric System . . . 41*wn*
,, ,, House of Commons Debate . . . 608*wn*
,, ,, Inquiry . . . 67*wn* 9 *wn* 278*p*
Decimal Currency Memoranda to the Halsbury Committee –
Association of Certified and Corporate Accountants . 06*wn* 709
Institute of Chartered Accountants in England and Wales 50*wn* 658
Institute of Cost and Works Accountants . . 06*wn* 753
National Association of British Manufacturers . 444*wn*
Decimalize the Currency, How to 77*c* 135*c* 492*c* 545*c* 583*c* 613*c* 727*c*–756*c* 776*c*
,, ,, ,, ,, (*William Phillips, F.I.A.*) . 438*a*
Decimalization in South Africa (*W. J. Fairbairn, C.A.(S.A.), F.S.A.A.*) 282*wn* 282*l*
Decimalizing the Currency (*T. H. Husband, F.I.M.T.A., F.R.V.A.*) 677*a*
Decision Making, Research on 186*wn*
Defence Bonds: Conversion Offers 592 785
Deposit Account Interest 545*c* 656*c* 755*c*
Dickensian Accountants 136*c*
Digits, Swapped (*Fred. T. Neely, C.P.A.*) . . . 475*a*
Directors' Expenses: New P11D Form 413*wn*
,, Reports – Their Form and Content (*R. S. Waldron, F.C.A.*) 407*a*
Discontents, Thoughts on Our Present 20*c*
Disputed Debts in Insolvent Companies (*W. H. D. Winder, M.A., LL.M.*) 563*a*
Dividends, Company Profits and 19*c*
Double Tax Relief Claims Without Tears (*Félice V. Slade, A.C.A.*) 740*a*
,, Taxation Agreements 26 53 83 140 309 417 591 733
du Pré, Miss Jacqueline 382*wn*
Dublin Society of Chartered Accountants Lecture Meeting 519

E

,, East Anglian Chartered Accountants' Students' Association 635
,, ,, ,, Society of Chartered Accountants Annual Dinner 422
,, Economic Advisory Council for the Construction Industries 679*wn*
,, ,, Conditions Overseas 53 158 400 787
,, ,, Situation: Muted Optimism or Warning? . . 40*own*
,, ,, Whither Guiding Light? 670*a*
Economic Survey 401*a*
,, ,, O.E.C.D. 443*wn* 520
Edey, H. C., B.Com., F.C.A. – Thinking in Figures . . 477*l*
Education and Training of Accountants (*W. T. Baxter, B.Com., C.A.*) 59*a*
,, for the Profession: The New Zealand Scheme (*Roy Sidebotham, B.A.(Com.), A.A.C.C.A.*) 223*a*
Efficiency Comparisons: British Institute of Management 229*wn*
Electronics in the Office –
Air Ministry to Save £25,000 a Year 195
Bank Mechanization 136
Census by Computer 814
Computer Bibliography 47
,, for Atomic Research Establishment . . 814
,, ,, 'B.O.L.S.A.' 47

PAGE

Electronics in the Office – *cont.*

Data Processing System for Jaguars 195
Decimalization Change-over 47
E.D.P. in Local Government 549
Filmstrips on E.D.P. 840
Investment Portfolio Valuation by Computer . . 712
National Commercial Bank of Scotland's Progress in Electronic Accounting 814
New Branch Office for Leo Computers . . . 712
,, Computer for Birmingham 47
,, Data Centre 712
,, Development in Audience Research . . . 195
New O.E.C.D. Computer Study 549
Royal Navy Installs New Stock Control System . 47
Stockbroking by Computer 195
Vickers Order Two Computers 549

Engineering, Apprentics in 575*wn*
,, Credit Squeeze in 803*wn*
,, Industries Association: Representations to the Chancellor 9*wn*
Equipment Leasing Service, New European . . . 126*wn*
Estate Duty and Overseas Property: Finance Bill, 1962 761*a*
,, ,, Aspect of Investment (*H. Ferguson, A.C.I.S.*) 87*a*
,, ,, Delivery of Inland Revenue Affidavits . . 591
,, ,, Liability to: Retirement and Superannuation Benefits 182
,, ,, Office, Gift Not Dislosed to . . . 68*wn*
Estates, Small: Grants of Representation . . . 29*a*
Estimates Committee: Sixth Report of 826*wn*
,, ,, Third Report of 292*wn*
Europe, Accountancy Practice in (*Kenneth S. Most, LL.B., F.C.A.*) 673*a*
European Accountants' Congress, 1963 . . . . 184*wn*
,, Common Market . . 8*a* 165 230*own* 652*wn* 680*own* 707*wn* 769*wn* 802*wn*
,, Equipment Leasing Service, New . . . 126*wn*
,, Free Trade Association: Foreign Trade . . 803*wn*
,, Markets, Producing for 400
Every Little Helps 393*c*
Excess Rents: Income Tax 140*p*
Executives' Conference: Industrial Administration Ltd 372
Exhibition in Stockholm, British 262*wn*
Expenditure Below the Line, Government . . . 443*wn*
Export Credits Guarantee Department –
Accounts for 1960–61 . . . . . 10*wn* 165
Nottingham and Manchester Offices 634
Wider Cover 230*own*
Export Incentives: F.B.I. Report 245*a*
Exports, Credit for: Banks and Insurance Companies Scheme 98*wn*
,, Improved Outlook for 127*wn*

F

Fairbairn, W. J., C.A.(S.A.), F.S.A.A. – Decimalization in South Africa 288*l*
Family Allowances and National Insurance Act . . 26 83 109
Falkland Islands Co Ltd 329*f*
Federation of British Industries –
Budget Recommendations 291*wn*
Business Inquiry 230*own* 802*wn*
Export Incentives 245*a*
Industrial Research in Manufacturing Industry, 1959–60 30*a*
Ferguson, H., A.C.I.S. – Estate Duty Aspect of Investment 87*a*
Figures, Thinking in (*H. C. Edey, B.Com., F.C.A.*) 477*l* 583*c*
Files for Tax Purposes, Permanent (*Félice V. Slade, A.C.A.*) 375*a*
Finance Bill 521*a* 593*a* 637*a* 671*a* 697*a* 737*a* 747*wn* 761*a*
Financial Control of Fixed Assets (*R. W. F. Rice, F.C.A.*) 122*l*
,, Information 707*wn*
,, Statistics 679*wn*
Fiscal Year, 1961–62 . . . . . 412*wn*
Fixed Assets, Financial Control of (*R. W. F. Rice, F.C.A.*) 122*l*
Fixing the Rates (*A. R. Ilersic, B.Com., M.Sc.(Econ.)*) 379*a* 449*c*
Football: Birmingham Chartered Accountants Inter-office Tournament 592
,, Club Transfers 393*c* 492*c*
Foreign Sources, Profits from: Comparative Taxation (*A. Dale, F.A.C.C.A.*) 219*a*
Formula, Interest 295*c*

PAGE

Fraud (Investments), Prevention of: Particulars of Dealers 634
Friendly Societies: Report of Chief Registrar Part 5: Building Societies 769*wn*
Furniture Development Council: Costing Course .. 400

G

G.A.T.T. Tariff Changes 325*wn*
Gabbay, Edmond – Tax Liability on Mortgage Interest .. 565*a*
Gambling, T. E., B.Com., A.C.A. – On a Teaching Vocation 595*a*
Goudeket, Professor A. – Long-term Planning .. 797*l* 840
Gerrard & Reid Ltd 682*f* 806*f*
Gift Not Disclosed to Estate Duty Office 68*wn*
Giro System 278*p*
Gloucester Railway Carriage & Wagon Co Ltd 101*f*
Gold Reserves, Higher 155*wn*
Goodwill: Veterinary Practice 162*c*
Graduated Pension Scheme 20*c* 427*p* 634
Grampian Holdings Ltd 540*f*
Grant (Increase) Order, General: Helping the Ratepayer 360*wn*
Greener, M. J., B.A., A.C.A. – Distribution of Capital Profits 247*a*
Grimsby and North Linconshire Branch, Hull, East Yorkshire and Lincolnshire District Society of Chartered Accountants – Annual Meeting 428
Gross National Product, Taxation and 734*p*
Guest, Keen & Nettlefolds Ltd 827*f*

H

Hartley Baird Ltd 385*f* 612*f*
Hire-purchase, Changes Coming in 293*wn*
,, ,, Finance Companies 839
Hiring or Owning Cars? 162*c*
Hobart Paper No. 10 (2nd Edition): *Growthmanship* .. 769*wn*
,, ,, ,, 15: *TV: From Monopoly to Competition* 128*wn*
,, ,, ,, 16: *Ordinary Shares for Ordinary Savers* 361*wn*
,, ,, ,, 17: *United Kingdom Commonweatlh and Common Market* 413*wn*
,, ,, ,, 18: *The Wage Fixers* 824*wn*
Holiday Crossword (*Kenneth Trickett, F.C.A.*) 520 560
Honours, Birthday 746*wn*
Honours, New Year 8*wn* 40*wn*
Hospital Consultants' Tax Assessment 115*a*
Housing Act, 1961 (*Spencer G. Maurice*) 793*a*
Huddersfield Branch, Leeds, Bradford and District Society of Chartered Accountants – Annual Dinner 139
Hughes, Mr Percy F.: Eastern Tour 343
Hunter, J. A., M.B.E., T.D. – Notes on Information Required from Companies Seeking Quotation on the London Stock Exchange 37*l*
Husband, T. H., F.I.M.T.A., F.R.V.A. – Decimalizing the Currency 677*a*

I

Ilersic, A. R., B.Com., M.Sc.(Econ.) – Fixing the Rates 379*a* 449*c*
Ilford Ltd 416*f*
Income from Profits 708*wn*
Income Tax 371*p*
,, ,, Act, 1952: Section 159 .. .. .. 733*p*
,, ,, ,, ,, ,, 245 .. .. .. 785*p*
,, ,, and Insurance Contributions 785*p*
,, ,, Capital Allowances on Leased Factories .. 185*wn*
,, ,, Excess Rents 140*p*
,, ,, General Commissioners of 399*p*
,, ,, Isle of Man 825*wn*
,, ,, Life Assurance and 383*wn*
,, ,, New Style P11D Form 413*wn*
,, ,, P11D and Public Authority Employees .. 707*wn*
,, ,, Schedule A 53 240*p*
,, ,, Special Commissioners' Office: Change of Address 370
,, ,, Payers' Society 67*wn* 467 758 786

PAGE

Income Taxes in the Commonwealth 27 77*c*
Incomes Policy: *Pay and Profits – A Plan for Incomes* .. 154*wn*
Incomes Policy: The Next Step (White Paper, Cmnd 1626) 141*a*
Incorporated Society of British Advertisers: Budget Recommendations 155*wn*
Index of Industrial Production, Changed Base for .. 156*wn*
Industrial Co-partnership Association 372
Industrious Accountant – This is My Life 10 42 70 99 129 156 187 231 263 294 326 363 384 415 445 487 539 576 609 652 681 708 748 770 804 826
Inflation, Sitting on 485*wn*
Information Required from Companies Seeking Quotation on the London Stock Exchange, Notes on (*J. A. Hunter, M.B.E., T.D.*) 37*l*
Inland Revenue Extra-statutory Concessions 134
,, ,, Report of the Board of 98*wn* 113*a*
Insolvent Companies, Disputed Debts in (*W. H. D. Winder, M.A., LL.M.*) 563*a*
Institute of Actuaries –
Annual Meeting 803*wn*
New President Elected 202
Bankers: Annual Meeting 735

Institute of Chartered Accountants in England and Wales –

Admissions to Membership 43 196 337 450 629
Annual Meeting 465 574*wn* 606*wn* 618
Appeal Committee 199 463
Banquet in Guildhall 138 201 614
Church Service, Annual 815
Coat of Arms 606*wn*
Council, New Member of: Mr A. G. Thomas, F.C.A. .. 324*wn*
Deaths of Members 49 199 338 462 631 783
Disciplinary Committee 50 199 339 395 784
Examination Results, May 1962 815
,, ,, November 1961 .. .. 184*wn* 203
List of Members 399
Meetings of the Council: January 3rd 48
February 7th 196
March 7th 337
April 4th 450
May 3rd 629
June 6th 778
Members' Addresses Wanted 558 757
,, Library .. 50 200, 339 463 695 784 815
Memorandum on Decimal Currency 658
P. D. Leake Trust Accounts 324*wn*
Presentation of Prizes 463
President and Vice-President Elected 745*wn*
President's Luncheon 240 465
Report of the Council for 1961 .. .. 469*a* 493
Small Practitioner Inquiry 83 517
Statements on Auditing: 2 – Stock-in-trade and Work in Progress 355
Summer Courses 308
Taxation and Research Committee 201 518 840
Terms Used in Published Accounts of Limited Companies 567 597 643

Institute of Chartered Accountants in Ireland –

Annual Meeting 659
Benevolent Association 661
Examination Results, November 1961 .. .. 154*wn* 168
Golfing Society 787
List of Members 140
Meetings of the Council 21 277
President and Vice-President Elected 606*wn*
Report of the Council 639*a*

Institute of Chartered Accountants of Scotland –

Annual Meeting 420
Budget Recommendations 217*a*
Computer Course 734
Examination Results, April 1962 667
President and Vice-President Elected 381*wn*
Report of the Council 347*a*
Special General Meeting 836

Institute of Cost and Works Accountants –

Examination Results, December 1961 .. .. 229*wn* 242
List of Members, 1962 592
Memorandum on Decimal Currency 753

PAGE

Institute of Cost and Works Accountants – *cont.*

Midland Regional Cost Conference 518
National Cost Conference 662
New Examination Syllabus 768*wn*
President and Vice-Presidents Elected 651*wn*
President's Dinner 53
President's Luncheon 13 201 427
Report of the Council 585
Residential Course at Oxford 279 559
Students' Study Course 279

Institute of Directors –
Budget Recommendation 126*wn*
Who's on the Board? 293*wn*

Institute of Internal Auditors –
Birmingham Chapter 2 280 428
London Chapter 28 400 428
Manchester Chapter 166 309
Yorkshire Chapter 55

Institute of Municipal Treasurers and Accountants –

Annual Conference 730
Budget Recommendations 261*wn*
Children Services Statistics, 1960–61 309
Education Statistics, 1960–61 400
Examination Results, November 1961 .. 28*wn* 111
Fire Service Statistics, 1960–61 53
Housing Statistics, 1960–61 167
Libraries Statistics, 1960–61 167
Local Health Services Statistics, 1960–61 309
Police Force Statistics, 1960–61 53
President and Vice-President Elected .. 746*wn*
Return of Rates, 1962–63 816
Welfare Services Statistics, 1960–61 167

Institute of Office Management –
Glasgow and West of Scotland Branch .. 559
London Branch Annual Conference 280
One-day Conference 334
Organization and Methods Course 167

Institute of Practitioners in Advertising –
Budget Recommendations 155*wn*

Institute of Taxation –
Annual Meeting 607*wn*
Budget Recommendations 142*a*
Thesis Competition 280

Institute's Coat of Arms 606*wn*
Insurance Contributions, Income Tax and .. 785*p*
,, for Income during Incapacity: Sickness and Accident Policies (*Contributed*) .. 743*a*
Interest, Deposit Account 545*c* 556*c* 755*c*
,, Formula 295*c*
Internal Auditing, Development of 428

International Fiscal Assocation –
Mitchell B. Carroll Prize 343
United Kingdom Branch Annual Meeting .. 777

Investment Club Progress 262*wn*
,, Conference on 635
,, Estate Duty Aspect of (*H. Ferguson, A.C.I.S.* 87*a*
,, Insurance, Multilateral 679*wn*
,, or Trading Stock? 86*a*
Irish Budget 485*wn*
,, Export Expansion 414*wn*

J

Jasper Companies 749*f*
Jenkins Committee on Company Law –
Report 747*wn* 768*wn* 785*p* 79*a* 817*a*
Take-over Bids 308*p*
Joint Venture Accounts 811*a*

K

Kent and Sussex Chartered Accountant Students' Society: Annual Meetin 371

L

Labour Statistics Galore 444*wn*
Lancashire United Transport Ltd 713*f*
Land Sales, Tax on Company 637*a* 671*a*
Leadership in the Office (*W. R. Anderson, F.A.C.C.A., A.C.I.S*) 820*a*
Leeds, Bradford and District Society of Chartered Accountants –
Annual Meeting 591
Students' Residential Course 202
Leicestershire and Northamptonshire Society of Chartered Accountants –
Annual Meeting 758
Lecture Meetings 55
Leonardo Appeal 755*c*
Leverhulme Research Scholarship 184*wn*
Liberal Accountants, Calling 104*c*
Liebig's Extract of Meat Co Ltd 188*f*
Life Assurance and Income Tax 383*wn*
,, This is My (*Industrious Accountant*) 10 42 70 99 129 156 187 194*c* 231 263 294 326 363 384 415 445 487 539 576 609 652 681 708 748 770 804 826
Limmer & Trinidad Lake Asphalt Co Ltd 749*f*
Liverpool Chartered Accountant Students' Association:
Annual Meeting 519
Liverpool Society of Chartered Accountants –
Annual Meeting 554
Golf Competition 787
Intermediate Prize 241
Lloyd's Packing Warehouses (Holdings) Ltd 157*f*
Local Government Financial Statistics 56
,, Loans Fund 467
London and District Society of Chartered Accountants –
Annual Meeting 554
Chairman Elected 758
Conference and Management Game 516 530*l*
Dinner and Dance 279
Lecture Meetings 140
Luncheon Meeting 201
Report of the Committee 554
Residential Conference 110
London Certified Accountant Students' Society .. 55 140 372
,, Students' Column 468
Long-term Planning (*Professor A. Goudeket*) .. 797*l* 840

M

Machine Tool Exports, Higher 486*wn*
,, Tools, Activity in 363*wn*
,, ,, in the Common Market 680*wn*
Macnair, H. S. A., F.C.A. – Profits Tax Avoidance .. 143*a*
Malaya, Companies Registers Order of 165
Management Accountancy Research Unit 815
,, Accounting Courses 55 202 344 519
,, ,, The Scope of (*J. P. Wilson, F.C.W.A., F.C.I.S.*) 252*l* 295*c* 333*c*
,, Decision Games (*Brian A. Maynard, M.A., F.C.A., F.C.W.A.*) 530*l*
,, Information for: Long-term Planning (*Professor A. Goudeket*) 797*l* 840
,, Play: *The Rainbow Story* 126*wn*
Managers, Cambridge Course for 309
Manchester Chartered Accountants' Students' Society –
Annual Dinner 306
Annual Report 696
Officers 84 760
Residential Course 279
Manchester Society of Chartered Accountants –
Annual Meeting 666
Discussion Group 54
Students' Residential Course 279
Market Research: British Institute of Management Survey 128*wn*
Marriage Settlements – With a Difference (*K. Buckley Edwards*) 348*a*
Maurice, Spencer G. –
Housing Act, 1961 .. .. 793*a*
Validation of an Imperfect Trust 117*a*
Maynard, Brian A., M.A., F.C.A., F.C.W.A. – Management Decision Games 503*l*
Mining Company's Problems 20*c*
Model Accounts: London Stock Exchange Annual Report 651*wn*
Monopolies and Restrictive Practices Acts: Report .. 343

PAGE

Monopolies and Restrictive Practices: Review of 1956 Legislation 279
Montague Burton Ltd 43*f*
Moorgate and Wall Street: Spring 1962 .. .. .. 575*wn*
Morpeth, D. S., B.Com., A.C.A. – Taxation and the Professional Man 319*l* 350*l*
Mortgage Interest, Tax Liability on (*Edmond Gabbay*) .. 565*a*
Most, Kenneth S., LL.B., F.C.A. – Accountancy Practice in Europe 673*a*
Murphy, Mary E., Ph.D.(Lond.), C.P.A. – The Profession Abroad
I – International Freedom 766*a*
II – Belgium 823*a*

N

National Association of British Manufacturers: Budget Recommendations 67*wn*
,, ,, ,, Pension Funds 816
,, Economic Development Council .. 126*wn* 184*wn* 325*wn* 370*p* 768*wn*
,, Income and Expenditure, Preliminary Estimates of 443*wn*
,, ,, ,, ,, Statistics 607*wn*
,, Insurance Act, Family Allowances and .. 26 83
,, Land Fund in 1960–61 .. .. 155*wn*
,, Productivity Year 136*wn*
Neely, Fred. T., C.P.A. – Swapped Digits 475*a*
Negligence: Action against Accountants Fails 537*wn*
New Issue Permanent Investments Ltd 610*f*
,, Legislation 56 395 691 788
,, Year Honours 8*wn* 40*wn*

New Office Equipment –
Addressing and Mailing Equipment 834
Calculators, Computers and Tabulators 80 272 397 588 589 688 835
Cash and Cheque Handling 275 397
Clock-cum-calendar 81
Communication 396 689
Data Collection System 835
Duplicators and Printers .. 80 81 273 396 588 689
Furniture 688
Microreader 588
Stationery and Filing .. 274 396 397 589 689 834
Typewriters 275 688 835

Niehus, R. J. – Company Law Reform in Germany .. 525*a*
Norcross, H. H., F.C.W.A. – Control of Overheads .. 226*l*
North London Discussion Group of Chartered Accountants 202
North Yorkshire and South Durham Chartered Accountant Students' Society: First Annual Dinner .. 344
Northern Ireland Development: Standard Factory Specification 262*wn*
Northern Society of Chartered Accountants: Luncheon Meeting 84
Nottingham Society of Chartered Accountants –
Annual Dinner 340
,, Meeting 695

O

Obituary –
Ash, H. Garton, O.B.E.(MIL.), M.C., F.C.A. 466
Brigham, B. H., F.C.A. 26
Gill, W. P., F.C.A. 839
Golding, R. T. 109
Haydock, J., C.A. 839
Hobbs, A. M., F.C.A. 26
Lowe, G. R., F.C.A. 278
French, H. N., F.C.A. 634
May, W. M., P.C., F.C.A. 308
Smith, Jack Ashworth, F.C.A. 733
Waring, H. W. A., C.M.G., F.C.A. 82
Office Congestion in London 41*wn*
,, Leadership in the (*W. R. Anderson, F.A.C.C.A., A.C.I.S.*) 820*a*
Official Receiver Appointments .. 28 53 165 240 343 467
Osborn, Samuel, & Co Ltd 46*f*
Overheads, Control of (*H. H. Norcross, F.C.W.A.*) .. 226*l*
Overseas Trade – 1938 and Now (*Contributed*) 63*a*
Oxford Chartered Accountants' Students' Society: Annual Meeting 519

P

PAGE

P.A.Y.E. Simplification 295*c*
,, Tables: Travel Allowances 308*p*
P. D. Leake Research Fellowship 109
Pay Pause 57*a* 141*a* 154*wn*
Pension Scheme, Graduated 20*c* 427*p* 634
,, Schemes, No Back-dating for 678*wn*
Pensions, 'Dynamic' 486*wn*
Permanent Files for Tax Purposes (*Félice V. Slade, A.C.A.*) 375*a*
Phillips, William, F.I.A. – How to Decimalize the Currency 438*a*
Planning, Long-term (*Professor A. Goudeket*) 797*l*
Plant and Machinery: Rating 785*p*
Play, Management: *The Rainbow Story* 126*wn*
Port of London Charges, Higher 769*wn*
Post-discontinuance Receipts 78*c*
Preferential Debts, Rates as (*W. H. D. Winder, M.A., LL.M.*) 440*a*
Premium Savings Bonds: Death of Holder 757
Price Fixing in Industry (*Contributed*) 316*a*
Prices, Productivity and Incomes, Council on: Disbanded 292*wn*
'Private and Confidential', Not Really 414*wn*
Product Costing Course 167
Production Index, Changed Base for 156*wn* 486*wn*
,, with Less Inflation, More 9*wn*
Productivity Course: Planning for Profit 167
Profession Abroad, The (*Mary E. Murphy, Ph.D.(Lond.), C.P.A.*)–
I – International Freedom 766*a*
II – Belgium 823*a*
,, Practising a (*Contributed*) 699*a*
,, Specialism in the 613*c*
Professional Man, Taxation and the (*D. S. Morpeth, B.Com., A.C.A.*) 319*l* 350*l*
,, Influence on Economic Life: Royal Society of Arts' Cantor Lectures 229*wn* 292*wn*
,, Notices 24 52 82 108 138 164 200 240 278 308 342 370 398 426 465 517 558 590 633 665 694 733 757 785 838
,, Trustees' Remuneration 651*wn* 696
Projectile & Engineering Co Ltd 827*f*
Profits and Dividends, Company 19*c*
,, Distribution of Capital (*M. J. Greener, B.A., A.C.A.*) 247*a*
,, from Foreign Sources: Comparative Taxation (*A. Dale, F.A.C.C.A.*) 219*a*
,, Income from 708*wn*
,, Tax Avoidance (*H. S. A. Macnair, F.C.A.*) .. 143*a*
,, ,, Effect of Change of Business (*T. J. Sophian*) 640*a*
Progress, Pause or – 1962 .. .. 1*a*
Prudential Policy? 537*wn*

R

Radiation Ltd 752*f*
Rate Assessment, Steel Company's 261*wn*
Ratepayer, Helping the 360*wn*
Rates as Preferential Debts (*W. H. D. Winder, M.A., LL.M.*) 440*a*
,, Fixing the (*A. R. Ilersic, B.Com., M.Sc.(Econ.)*) 379*a* 449*c*
,, Riddle of the 313*a*
Reading and District Group of Chartered Accountants: Luncheon Meeting 241
Recent Publications .. 13 72 271 369 392 582 772 833
Relay Exchanges Ltd 805*f*
Reliable Properties Ltd 773*f*
Research Activities under the Microscope .. 30*a* 104*c*
Restrictive Practices, Report on 68*wn*
Retail Price Index under Scrutiny 360*wn*
Retirement and Superannuation Benefits: Liability to Estate Duty 182
Revenue Paper: Easter Sittings, 1962 592
,, ,, Hilary Sittings, 1962 .. .. .. 84 110
,, ,, Trinity Sittings, 1962 816

Reviews –
Accountancy (*Carmichael*) 392
Advanced Accounting – An Organizational Approach (*Bedford, Perry and Wyatt*) 269
American Capital and Canadian Resources (*Aitken*) .. 582
Amerikanische Standardkostenrechnung (*Weber*) .. 771

Reviews – *cont.*

PAGE

Auditing Principles, 2nd edition (*Stettler*) 369
Basis for Marketing Decision (*Cheskin*) 390
Book-keeping and Accountancy for Solicitors, 2nd edition (*Harrison* and *Hillman*) .. 771
,, for Builders and Surveyors (*Bell* and *Stewart*) 833
Business Consortia (*Boulton*) 13
City of London as a Centre of International Trade and Finance (*Institute of Bankers*) 582
Compiling and Presenting Company Reports (*Society of Investment Analysts*) 116*a*
Compound Interest (*Sheppard* and *Baillie*) 72
Cost Reduction Guide for Manufacturing Management (*Wyatt* and *Morse*) 11
,, ,, in Industry (*European Productivity Agency*) 580
Debt Servicing Problems of Low-income Countries (*Avromovic* and *Gulhati*) 833
Economics, 5th edition (*Samuelson*) 12
,, of Industrial Organization (*Beacham* and *Williams*) 581
European Register of Industry and Commerce (*Schimmelpfeng*) 772
Eurotariff Service (*Eurotariff N.V.*) 71
Executor's Accounts and the Law Relating Thereto 13th edition (*Taylor*) 771
Facts and Figures about the Church of England (*Church Information Office*) 69*wn*
Growth of Public Expenditure in the United Kingdom (*Peacock* and *Wiseman*) 581
Growthmanship, 2nd edition (*Clark*) 769*wn*
Hospitals Year Book, 1962 (Ed. *Milne*) .. . 13
How to Read Statistics (*Vesselo*) 270
Income Tax (*Mellor*) 269
,, ,, Law and Practice, 29th edition (*Plunket* and *Newport*) 832
,, ,, Legislation in the Federation of Rhodesia and Nyasaland, 1961 (*Silke*) .. . 772
,, Taxes in the Commonwealth, 2nd supplement (*H.M.S.O.*) 369
Indian Income Tax Act, 1961 (*Aiyar*) .. . 833
,, Tax Structure and Economic Development (*Sahota*) 391
Industrial Research in Manufacturing Industry 1959–60 (*Federation of British Industries*) .. . 30*a*
Investment and Production (*Smith*) 391
Know Your Accounts (*Mellor*) 368
Law of Stamp Duties, 3rd edition (*Monroe*) .. . 391
Lexique U.E.C. Lexicon (*Verlagsbuchhandlung des Instituts der Wirtschaftsprüfer*) 271
MacGillivray on Insurance Law, 5th edition (*Browne* 391
Management Audit, 3rd edition (*Rose*) .. . 368
Marketing for Profit (*Gould*) 390
Measurement and Control of Office Costs (*Birn, Crossar* and *Eastwood*) 389
Money in Britain (*Josset*) 832
National Income and Expenditure (*Stone* and *Stone*) . 391
Office Equipment News Standard Reference and Data Book: Buyer's Guide 1961–62 (*Business Publications Ltd*) 72
Official Year-Book of the Church of England, 1962 (*Church Information Office and S.P.C.K.*) 72
Ordinary Shares for Ordinary Savers (*Kellett*) .. . 361*wn*
Organization from Within (*Sofer*) 390
Palmer's Company Guide, 37th edition (*Cain*) 270
,, Private Companies, 42nd edition (*Cain*) .. 270
Playing with Infinity (*Péter*) 390
Practical Financial Statement Analysis, 5th edition (*Foulke*) 369
Price-level Adjustments of Financial Statements (*Hendriksen*) 12
Ranking, Spicer and Pegler's Executorship Law and Accounts, 20th edition (*Wilson*) 833
Rating and Valuation Act, 1961 (*Meston*) 392
Sampling Tables for Estimating Error Rates or Other Proportions (*Brown* and *Vance*) 72
Second Cumulative Supplement to Underhill's Law Relating to Trusts and Trustees, 11th edition (*Wells*) 270
Selling and Distributing Cost Accounting, 3rd edition (*I.C.W.A.*) 581
Silke on South African Income Tax, 2nd edition (*Silke*) 71
Slater's Mercantile Law, 14th edition (*Chorley* and *Giles*) 12

Reviews – *cont.*

PAGE

Standard Account for Landed Property Investment (*Chartered Land Agents Society*) 71
Staples on Back Duty, 8th edition (*Hughes*) 271
Statistics on Incomes, Prices, Employment and Production (*H.M.S.O.*) 444*wn*
Structure of Industry in Britain (*Allen*) 11
Studies in an Inflationary Economy (*Paish*) 670*a*
Summary of Auditing Case Law, 8th edition (*Taylor*) 832
Taxation of Capital Gains (*Ilersic*) 403*a*
Textbook of Economics, 3rd edition (*Hanson*) .. 772
Topolski's Legal London (*Cowper*) 392
Theory of Capital (*Lutz* and *Hague*) 12
Trade Unions in a Free Society (*Roberts*) 582
Trustee Investments Act, 1961 (*Wells* and *Nelson*) .. 582
Typists' and Private Secretaries' Guide to Practical Office Methods (*Henry*) 832
United States Fiscal Policy, 1945–59 (*Holmans*) .. 71
Use and Abuse of Statistics (*Reichmann*) 270
When My Girl Comes Home (*Pritchett*) 13
Whillans's Tax Tables and Tax Reckoner, 1961–62 (*Whillans*) 13

Rice, R. W. F., F.C.A. – Financial Control of Fixed Assets 122*l*
Rolls Razor Ltd 14*f*
Rolls-Royce, B.M.C. and 9*wn*
Rotodyne Airliner Project Abandoned 262*wn*
Royal Society of Arts: Cantor Lectures on Influence of the Professions 229*wn* 292*wn*

S

Sales of Consumer Durables, Improved 824*wn*
Samuel Osborn & Co Ltd 46*f*
Schedule A 53 240*p*
Seafield Fabrics Ltd 45*f*
Settlements, Marriage – With a Difference (*K. Buckley Edwards*) 348*a*
Seventy-five Years Ago 54 110 202 228
Shanghai Electric Construction Ltd 809*f*
Share Transfer, Simplifying 98*wn*
Shareholders All?: Wider Share Ownership Committee Report 373*a* 786
,, Information 278*p*
Sheffield and District Society of Chartered Accountants: Annual Dinner 305
Shipbuilding in the Trough 576*wn*
Shipping and the Common Market 230*wn*
,, Confidence in Atlantic 748*wn*
Short-term Gains, Tax on 521*a* 697*a*
Sickness and Accident Policies (*Contributed*) 743*a*
Sidebotham, Roy, B.A.(Com.), A.A.C.C.A. – Education for the Profession: The New Zealand Scheme 223*a*
Slade, Félice V., A.C.A. – .. ..
Coding Notices 32*a*
Double Tax Relief Claims Without Tears 740*a*
Permanent Files for Tax Purposes 375*a*
Small Estates: Grants of Representation 29*a*
Small Investor 361*wn*
Society of Incorporated Accountants (in voluntary liquidation: Examination Results, November 1961 .. 184 216
Society of Investment Analysts: *Compiling and Presenting Company Reports* 116*a*
Solicitor's Payment under Guarantee Deductible .. 707*wn*
Sophian, T. J. – Profits Tax: Effect of Change of Business 640*a*
South Durham Steel and Iron Co Ltd 130*f*
South Eastern Society of Chartered Accountants –
Annual Meeting 734
Dinner in Bournemouth 194
South Wales and Monmouthshire Chartered Accountant Students' Society 735
South Wales and Monmouthshire Society of Chartered Accountants –
Annual Dinner 239
Change of Secretary 27
South West London Discussion Group of Chartered Accountants 280 399
Specialism in the Profession 613*c*
Standard Costs and Stock Valuation (*H. A. V. Wilson, B.Com., F.C.A., A.C.W.A.*) 471*a*
Statistics, Financial 679*wn*
,, Galore, Labour 444*wn*

PAGE

Staubus, George J., Ph.D., C.P.A. – Stock Valuation Reconsidered 284*a*
Steel, Outlook for 69*wn*
,, Prices, Higher 261*wn*
Stock Exchange, A National 292*wn*
,, ,, Annual Meeting 706*wn*
,, ,, ,, Report: Model Accounts .. 651*wn*
,, ,, Committee Report: Simplifying Share Transfer 98*wn*
,, ,, Members' Accounts: New Rule .. 608*wn*
,, ,, Membership, Standards for 325*wn*
,, ,, Notes on Information Required from Companies Seeking Quotation on the London (*J. A. Hunter, M.B.E., T.D.*) 37*l*
,, ,, Statistics 419*f*
Stock-in-trade and Work in Progress, Auditing: Statement by The Institute of Chartered Accountants in England and Wales 345*a* 355
Stock Records: Builders' Supplies 77*c*
,, Valuation 193*c*
,, ,, – a Practitioner's View (*Geoffrey H. Vieler, F.C.A.*) 90*l*
,, ,, Reconsidered (*George J. Staubus, Ph.D., C.P.A.*) 284*a* 393*c* 449*c*
,, ,, Standard Costs and (*H. A. V. Wilson, B.Com., F.C.A., A.C.W.A.*) .. 471*a*
,, ,, – The Revenue's View (*H. G. Thomas*) 177*l*
Stockbuilding, Rate of 539*wn*
Strike Ballot Fails 574*a*

Students' Section –

Joint Venture Accounts 811
Share Certificates 105 163
Taxation: Deduction for Surtax 22

Supplements –

Colour Plate of the Coat of Arms of The Institute of Chartered Accountants in England and Wales *facing page* 606
Portrait of Mr P. F. Carpenter, F.C.A., President of The Institute of Chartered Accountants in England and Wales, 1962 .. .. .. *facing page* 745

Surtax Directions: Apportionment on Time Basis (*Contributed*) 3*a*
Swapped Digits (*Fred. T. Neely, C.P.A.*) 475*a*
Switch Dollar Modifications 679*wn*

T

Take-over Bids: Jenkins Committee 308*p*
,, ,, Procedure, Points on (*Contributed*) 527*a*
,, ,, Tactics: I.C.I. and Courtaulds 169*a* 186*wn* 324*wn*
Tax Aids to Thrift 285*wn*
,, Avoidance, Profits (*H. S. A. Macnair, F.C.A.*) .. 143*a*
,, Forum? 414*wn*
,, Liability on Mortgage Interest (*Edmond Gabbay*) .. 565*a*
,, on Company Land Sales 637*a* 671*a*
,, on Short-term Gains 521*a* 697*a*
,, Profits: Effect of Change of Business (*T. J. Sophian*) 640*a*
,, Purposes, Permanent Files for (*Félice V. Slade, A.C.A.*) 375*a*
,, Reserve Certificates 399 591
Taxation and Gross National Product 734*p*
,, and the Professional Man (*D. S. Morpeth, B.Com., A.C.A.*) 319*l* 350*l*
,, Comparative: Profits from Foreign Sources (*A. Dale, F.A.C.C.A.*) 219*a*
,, Conference, Twelfth National 687
,, Unrealistic 296*c*
Taxes in the Common Market: An Exercise in Crystal Gazing (*Alun Grier Davies*) 148*l*
Taxing Capital Gains 403*a* 521*a* 697*a*
Taylor, Peter D., F.C.A. – Contractors' Profits .. 171*a* 295*c*
Teaching Vocation, On a (*T. E. Gambling, B.Com., A.C.A.*) 595*a*
Technical Co-operation, Publicizing 486*wn*
Television of the Future: Hobart Paper No. 15 .. 128*wn*
Terminology in Published Accounts of Limited Companies: Notes by The Institute of Chartered Accountants in England and Wales 561*a* 567 597 643
Thinking in Figures (*H. C. Edey, B.Com., F.C.A.*) 477*l* 583*c*

PAGE

This is My Life (*Industrious Accountant*) 10 42 70 99 129 156 187 194*c* 231 263 294 326 363 384 415 445 487 539 576 609 652 681 708 748 770 804 826
Thomas, H. G. – Stock Valuation – The Revenue's View 177*l*
Thoughts on Our Present Discontents 20*c*
Trade Gap, Higher 803*wn*
,, Optimism on World 261*wn*
,, Position – Little Change 68*wn*
,, Unions and Professional Auditors 162*c*
Trades Union Congress: Budget Recommendation .. 217*a*
,, ,, ,, to join National Economic Development Council .. 126*wn*
Training for the Profession – Fact and Fantasy (*R. J. Carter, B.Com., F.C.A.*) .. 404*a* 491*c* 543*c* 656*c*
,, of Accountants 104*c* 135*c* 146 154*wn* 162*c* 192*c* 237*c* 275*c* 276*c* 296*c* 333*c* 404*a* 491*c* 543*c* 656*c*
,, ,, ,, Education and (*W. T. Baxter, B.Com., C.A.*) 59*a*
,, ,, ,, (reproduced from *Technology*) 146 154*wn*
Travel Allowances: P.A.Y.E. Tables 308*p*
Trickett, Kenneth, F.C.A. –
Bank Holiday Crossword 760 788
Holiday Crossword 520 560
Trinidad Sugar Estates Ltd 364*f*
'True and Fair': When is 'Fair' not Fair? 85*a* 88*a*
Trust, Validation of an Imperfect (*Spencer G. Maurice*) .. 117*a*
Trustee Investments Act: section 15 .. .. .. 240*p*
,, Savings Banks: Cheques Scheme 140
Trustees' Remuneration, Professional 651*wn* 696
Turner & Newall Ltd 297*f* 393*c*

U

Unemployment at 2 per cent 127*wn*
Union of Chartered Accountant Students' Societies 19*c* 55 786
Unit Trusts, Directory of 467
United Biscuits Ltd 716*f*
University Appointments Officers, Conference of .. 466

V

Validation of an Imperfect Trust (*Spencer G. Maurice*) .. 117*a*
Valuation of Work in Progress in a Chartered Accountant's Practice 449*c*
,, Reconsidered, Stock (*George J. Staubus, Ph.D., C.P.A.*) 284*a*
Veterinary Practice: Goodwill 162*c*
Vieler, Geoffrey H., F.C.A. – Stock Valuation – a Practitioner's View 90*l*
Villiers Engineering Co Ltd 73*f*

W

Wages, Planning 41*wn* 57*a* 141*c* 154*wn* 824*wn*
Waldron, R. S., F.C.A. – Directors' Reports – Their Form and Content 407*a*
War Damage Commission: New Chairman Appointed .. 428
,, ,, Payments 166
West Wales Chartered Accountant Students' Society – Annual Meeting 519
Wider Share Ownership 362*wn* 786
Wilson, H. A. V., B.Com., F.C.A., A.C.W.A. – Standard Costs and Stock Valuation 471*a*
Wilson, J. P., F.C.W.A., F.C.I.S. – The Scope of Management Accounting 252*l*
Winder, W. H. D., M.A., LL.M. –
Disputed Debts in Insolvent Companies 563*a*
Rates as Preferential Debts 440*a*
Wolseley-Hughes Ltd 157*f*
Woolworth, F. W., & Co Ltd 232*f*

Y

Year 1962 – Pause or Progress? 1*a*

INDEX TO SUMMARIES OF TAX CASES

PAGE

CORPORATION PROFITS TAX

Four Seas Co Ltd, Hong Kong Commissioners of Inland Revenue *v.* .. .. (P.C.) 18
Hong Kong Commissioners of Inland Revenue *v.* Four Seas Co Ltd .. (P.C.) 18

ESTATE DUTY

C.I.R., Coutts & Co (Stanhope's Trustees) *v.* .. .. (C.A.) 538*wn*
Coutts & Co (Stanhope's Trustees) *v.* C.I.R. .. .. (C.A.) 538*wn*

INCOME TAX

Barfield and Barfield, Jennings *v.* .. (Ch.D.) 830
Bennett, Butter *v.* .. .. .. (C.A.) 825*wn*
Bird, *In re* .. .. (C.A.) 756
Bispham *v.* Eardiston Farming Co (1919) Ltd .. .. (Ch.D.) 413*wn* 548
British Commonwealth International News Film Agency *v.* Mahany .. .. (C.A.) 283*a* 367
Brogan *v.* Stafford Coal & Iron Co Ltd .. (C.A.) 825*wn*
Brooke Bond & Co Ltd *v.* Butter .. (Ch.D.) 690
Brooke Bond & Co Ltd *v.* C.I.R. .. .. (Ch.D.) 690
Butter, Brooke Bond & Co Ltd *v.* .. (Ch.D.) 690
Butter *v.* Bennett .. .. (C.A.) 825*wn*
Cenlon Finance Co Ltd *v.* Ellwood .. (H.L.) 293*wn* 336
C.I.R., Brooke Bond & Co Ltd *v.* .. (Ch.D.) 690
C.I.R., Fitch Lovell Ltd *v.* .. .. (Ch.D.) 444*wn* 690
C.I.R., Frasers (Glasgow) Bank Ltd *v.* .. (C.S.) 729
C.I.R., Gordon & Blair Ltd *v.* .. .. (C.S.) 728
C.I.R. *v.* John M. Whiteford & Son .. (C.S.) 728
C.I.R. *v.* Luke .. .. (C.S.) 729
Davison, Doyle *v.* .. .. .. (Q.B.D.) 729
De Voil *v.* Welford Gravels Ltd. .. .. (C.A.) 537*wn* 657
Dixon, Walter W. Saunders Ltd *v.* .. (Ch.D.) 548
Doyle *v.* Davison .. .. .. (Q.B.D.) 729
Eardiston Farming Co (1919) Ltd, Bispham *v.* .. .. (Ch.D.) 413*wn* 548
Ellwood, Cenlon Finance Co Ltd *v* .. (H.L.) 293*wn* 336
English Electric Co Ltd, Musker *v.* .. (Ch.D.) 763*a* 831
Frasers (Glasgow) Bank Ltd *v.* C.I.R. .. (C.S.) 729
Furlong, Monthly Salaries Loan Co Ltd *v.* (Ch.D.) 547
Fysh *v.* Martin .. .. (Q.B.D.) 523*a*
Good, John, & Sons Ltd, Jarrold *v.* .. (Ch.D.) 777
Gordon and Blair Ltd *v.* C.I.R. .. .. (C.S.) 728
Griffiths *v.* J. P. Harrison (Watford) Ltd (H.L.) 361*wn* 394
Godden *v.* A. Wilson's Stores (Holdings) Ltd .. .. (C.A.) 394
Gosford Furnishing Co Ltd and C.I.R., Lions Ltd *v.* .. .. (C.S.) 51
Harrison, J. P., (Watford) Ltd, Griffiths *v.* (H.L.) 361*wn* 394
Hunt, Lucy & Sunderland Ltd *v.* .. (Ch.D.) 86*a*
Jarrold *v.* John Good & Sons Ltd .. (Ch.D.) 777
Jeffery *v.* Rolls-Royce Ltd .. .. (H.L.) 281*a* 336
Jennings *v.* Barfield and Barfield .. (Ch.D.) 830

PAGE

Income Tax – *cont.*

Lazard Investment Co Ltd *v.* Rae .. (C.A.) 361*wn* 422
Lions Ltd *v.* Gosford Furnishing Co Ltd and C.I.R. .. .. (C.S.) 51
Lucy & Sunderland Ltd *v.* Hunt .. (Ch.D.) 86*a*
Luke, C.I.R. *v.* .. .. (C.S.) 729
Mahany, British Commonwealth International Newsfilm Agency Ltd *v.* .. (C.A.) 283*a* 367
Martin, Fysh *v.* .. .. (Q.B.D.) 523*a*
Monthly Salaries Loan Co Ltd *v.* Furlong (Ch.D.) 547
Musker *v.* English Electric Co Ltd .. (Ch.D.) 763*a* 831
Rae, Lazard Investment Co Ltd *v.* .. (C.A.) 361*wn* 422
Reynolds, Wellington *v.* .. .. .. (Ch.D.) 547
Roberts' Settlement Trusts, *In Re* .. (Ch.D.) 108
Rolls-Royce Ltd, Jeffrey *v.* .. .. (H.L.) 281*a* 336
Saunders, Walter W., Ltd *v.* Dixon .. (Ch.D.) 548
Seaward Brothers *v.* Varty .. .. (Ch.D.) 584
Stafford Coal & Iron Co Ltd, Brogan *v.* .. (C.A.) 825*wn*
Varty, Seaward Brothers *v.* .. .. (Ch.D.) 584
Walter W. Saunders Ltd *v.* Dixon .. (Ch.D.) 548
Welford Gravels Ltd, De Voil *v.* .. (C.A.) 537*wn* 657
Wellington *v.* Reynolds .. .. .. (Ch.D.) 547
Whiteford, John M., & Son, C.I.R. *v.* .. (C.S.) 728
Wilson's, A., Stores (Holdings) Ltd, Godden *v.* .. .. (C.A.) 394

PROFITS TAX

C.I.R., E.Y.L. Trading Co Ltd *v.* .. (C.A.) 825*wn*
E.Y.L. Trading Co Ltd *v.* C.I.R. .. (C.A.) 825*wn*

STAMP DUTY

C.I.R. *v.* Henty & Constable (Brewers) Ltd (C.A.) 18
C.I.R., Littlewoods Mail Order Stores Ltd *v.* .. .. (H.L.) 538*wn* 632
C.I.R. *v.* Ridge Nominees Ltd .. .. (C.A.) 18
Fitch Lovell Ltd *v.* C.I.R. .. .. (Ch.D.) 444*wn* 690
Henty & Constable (Brewers) Ltd, C.I.R. *v.* (C.A.) 18
Littlewoods Mail Order Stores Ltd *v.* C.I.R. .. .. (H.L.) 538*wn* 632
Ridge Nominees Ltd, C.I.R. *v.* .. .. (C.A.) 18

SURTAX

C.I.R. *v.* Hood Bars .. .. .. (Ch.D.) 584
C.I.R., Jamieson *v.* .. .. .. (C.A.) 383*wn* 547
C.I.R. *v.* Verdon-Roe .. .. .. (Ch.D.) 831
C.I.R., Wills *v.* .. .. (C.A.) 383*wn* 547
Hood Bars, C.I.R. *v.* .. .. .. (Ch.D.) 584
Jamieson *v.* C.I.R. .. .. .. (C.A.) 383*wn* 547
Verdon-Roe, C.I.R. *v.* .. .. .. (Ch.D.) 831
Wills *v.* C.I.R. .. .. (C.A.) 383*wn* 547

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

THE ACCOUNTANT

ESTABLISHED 1874

JANUARY 6TH, 1962 VOL. CXLVI. NO. 4542

CONTENTS

	Page
1962 – Pause or Progress?	1
Surtax Directions: Apportionment on Time Basis *Contributed*	3
The Accounting World The Profession in West Germany: New Federal Regulations by *W. Voors, Wirtschaftsprüfer*	5
Weekly Notes	8
This is My Life . . . by *An Industrious Accountant*	10
Reviews	11
Finance and Commerce Rolls Razor Ltd – Campbell's Soups Ltd – City Notes – Rates and Prices	14
***The Accountant* Annual Awards for 1962**	17
Taxation Cases Hong Kong Commissioners of Inland Revenue *v.* Four Seas Co Ltd – C.I.R. *v.* Ridge Nominees Ltd – C.I.R. *v.* Henty & Constable (Brewers) Ltd	18
Correspondence Company Profits and Dividends – Union of Chartered Accountant Students' Societies' Conference – Graduated Pension Scheme – Mining Company's Problems – Thoughts on our Present Discontents	19
The Institute of Chartered Accountants in Ireland Meetings of the Council	21
For Students Taxation: Deductions for Surtax	22
Notes and Notices	24

1962 – Pause or Progress?

AFTER-EFFECTS of New Year festivities apart, it is difficult for the average citizen to feel otherwise than depressed as he contemplates the state of the world in general or the state of the British economy in particular. It would be remarkable indeed if Her Majesty's Ministers felt any differently from us lesser mortals for, although MR MACMILLAN can hardly be blamed for not ensuring universal peace throughout this unhappy world, he and his colleagues can be held largely responsible for the current state of the British economy. Since 1945 there has been only one really fundamental problem confronting the economy: how the country can live within its income. As 1962 opens, with one devaluation and three major sterling crises behind it, Britain is apparently no nearer achieving this particular goal than in the immediate post-war period. In 1960 the current balance of payments deficit totalled £344 million; in the first nine months of 1961 the deficit was £118 million and by the end of the year probably reached £200 million.

The significance of this improvement over the past twelve months can be better assessed when it is borne in mind that to ensure long-term stability the United Kingdom should be earning a surplus on current account of over £400 million annually. Hence the call in the last issue of the Bank of England's *Quarterly Bulletin* for an increase in Britain's exports of 10 per cent per annum over the next three years. The current account forms only part of the story. For the past three years, Britain has invested annually overseas about £200 million net; this despite the fact that the surplus on current account needed to finance this volume of lending has never been achieved. The overseas capital account would have looked even worse last year if it had not been for the Ford payment and an advance instalment by Western Germany of her post-war debt repayment. The publicity accorded the United Kingdom repayment of the International Monetary Fund loan and the fact that the gold and dollar reserves have reached a new high level is unfortunate, for they merely conceal the effectiveness of Bank rate in bringing foreign funds to London and mislead public opinion as to the true state of affairs.

Failure in recent months of British industry to take the opportunity of increasing its exports is especially disturbing. For some time now there has been sufficient slack in the British economy, especially in the engineering trades, for export orders to be met without encroaching upon domestic orders. Furthermore, for nearly two years British export prices have been competitive and more recently our biggest trade rival, Western Germany, has

started to experience the cost-induced inflation which has been so marked a feature in the post-war economy of the United Kingdom. Despite a small increase in British exports to Western Europe, the recent modest improvement on current visible account is due in the main to a reduction in the volume of imports.

In the flood of speeches, articles and Parliamentary discussion that has surrounded the 'pay pause' and the setting up of the National Council for Economic Development, the only point of any relevance – i.e. how they will help Britain achieve its export target – seems to have been largely ignored. Whichever way one looks at those twin pillars of MR LLOYD's policy, their effectiveness in 1962 remains a matter of doubt. The 'pay pause' provided a very temporary halt in the cost-push inflation of recent years, but has now become so riddled with exemptions and exceptions that in its present form it may well prove more of an obstacle to the formulation of policy than a help. In any case, it seems to have been forgotten that in a free economy, prices should be free to move; and wages and salaries are, after all, merely prices.

Assuming that the CHANCELLOR's conception of 'planning' is realistic, it is difficult to see just what will be achieved when the T.U.C. finally enters the N.C.E.D. Does anyone really believe that any impartial review of Britain's post-war economic record would differ, at least in its essentials, from that contained in the first ill-fated report of the Council on Prices, Productivity and Incomes? For if planning is needed in any one sector of the economy, where else is it more necessary than in the jungle of wage negotiation? Even if official trade union co-operation is achieved, possibly as a *quid pro quo* for the introduction of a capital gains tax and dividend limitation (any inconsistency between these two policies will doubtless be overlooked), can there be any certainty of co-operation from the rank and file as long as the sellers' market for labour remains? It is surely ironic that the major success against the 'pay pause' should have been achieved by MR FOULKES and his colleagues of the E.T.U.

This is the depressing background to MR HEATH's efforts to introduce Britain into the Common Market, and the recent G.A.T.T. report on international trade which stresses the continuing decline of Britain's share in world exports. It is at this moment that PRESIDENT KENNEDY is urging American industry to redouble its export efforts to strengthen the dollar, while Western Germany seeks to maintain the momentum of its economic drive by increasing its exports, despite the handicap of a revalued Deutschmark and rising domestic costs. The United Kingdom outlook is certainly serious but there are grounds for hope too. For example, rising world commodity prices should provide better markets for British exports among the primary producers. Surprisingly enough, Britain's competitive position is favourable, since during the past two years this country's costs have risen more slowly than those of its major competitors. If only the present relationship can be maintained, the export target may not seem quite so remote a few months hence.

There is no short-cut to achieving the expansion of exports upon which the future of sterling depends. Imports have almost certainly reached their nadir and if the British economy should revive, some expansion of imports is inevitable. Devaluation, whether it be *de jure* or *de facto* by means of a floating rate of exchange, is out of the question as a policy. It would merely initiate a chain reaction in which the present tenuous apparatus of international credit would be the first victim, while competitive devaluations elsewhere would rapidly eliminate any advantages devaluation of sterling might seem to confer upon the British economy.

A policy of trade restrictionism would be equally futile, because it would lead to retaliation, and destroy all the progress of recent years towards liberal trading policies. Some restriction on the Government's overseas spending is overdue, and a case for limiting the scale of private investment overseas can also be made out. At the same time Britain should encourage the less developed members of the Commonwealth to seek their capital needs from the international organizations, rather than from the heavily pressed Mother Country.

The purpose of the 'little Budget' last July was to give the Government an opportunity to evolve new policies and to provide the time to bring them into operation. At the present rate of progress the reserves may have gone, a 6 per cent Bank rate notwithstanding, long before MR LLOYD's plans come into effect.

Surtax Directions

APPORTIONMENT ON TIME BASIS

CONTRIBUTED

THE complications that can arise in relation to surtax directions and apportionments are numerous, as the recent case of *Spencer, Garside & C.H.W. (Huddersfield) Ltd v. C.I.R.* ([1961] T.R. 259) demonstrates. A number of important points were involved in that case, particularly on the question of determining the respective interests of the shareholders for the purpose of the apportionment, but before examining them it is as well to give a clear summary of the material facts, which are of a somewhat complex nature.

Material Facts

In setting out the facts, it may be advantageous to detail the relevant dates and circumstances in chronological order, as follows:

April 1st, 1956
Opening date of relevant accounting period. The company had a capital of £50,000, divided into Preference and Ordinary shares, the *whole* of which was held by four individuals.

January 31st, 1957
Closing date of accounting period. Net profits of the company for the accounting period April 1st, 1956, to January 31st, 1957, were £32,103. Shortly before this date all the trading assets of the company were transferred to new companies, the only remaining assets consisting of two sums of £25,000 and £279,000.

The four old shareholders ceased to hold any shares in the company on this date, their former shareholding being now represented by £60,000 worth of shares in the new companies and £219,500 of bills of exchange given by those companies.

The whole of the issued capital of the old company, i.e. £50,000, was increased by an additional £750 and was held as to nine-tenths by A.F. Co Ltd and as to one-tenth by S.I. Co Ltd.

The old company accordingly became a subsidiary of the A.F. Co which never was a section 245 company.

On this date also, January 31st, 1957, the old company ceased to trade and its accounts were shortly afterwards made up for the period April 1st, 1956, to January 31st, 1957.

February 14th, 1957
These accounts were adopted by the old company in general meeting. The company resolved to confirm the payment of the dividend on its Preference shares, but – and this is a point which should be noted very carefully – resolved to pay no further dividend on the Ordinary shares for the period ended January 31st, 1957.

August 27th, 1957
The Special Commissioners issued a notice under section 250 (1) of the Income Tax Act, 1952, requiring information which might lead to a surtax direction in respect of the period April 1st, 1956, to January 31st, 1957.

December 13th, 1957
At an extraordinary general meeting the company resolved to pay a dividend on the Ordinary shares, amounting to £34,000 net. The company still, however, had undistributed profits amounting to £54,800 odd.

July 7th, 1958
The Commissioners made a direction and an apportionment on a time basis. During 303 of the 306 days in the period which ended on January 31st, 1957, the four individual shareholders had held all the Ordinary shares, the two new companies holding these shares during the remaining three days. The apportionment accordingly was made on the basis of 303/306ths to the shareholders, and 3/306ths to the two new companies, in respect of the undistributed profits of £54,800 odd. In effect, therefore, practically the whole of the undistributed income of the company was apportioned to the four previous individual shareholders, notwithstanding, *inter alia*:

(1) the fact that they had ceased to have any further interest in the company before the last date of the accounting period to January 31st, 1957, their interest having ceased somewhat earlier in January 1957, when there had been a transfer to the two new companies as stated above; and

(2) the fact that a substantial dividend had been paid on December 13th, 1957, on the Ordinary shares, although, one might point out, the declaration of this further dividend had been made after the Commissioners had issued the notice requiring information, and the declaration itself was a complete reversal of the policy indicated by the resolution earlier in the year on February

19th, 1957, not to declare any further dividends on the Ordinary shares.

Was the Old Company a 'Subsidiary'?

The first important question was whether or not the old company was a subsidiary of the A.F. Co which held nine-tenths of its capital at the date when the take-over took place in January 1957; for if the old company could be regarded as a 'subsidiary' then it could not be a section 245 company and it would not be open to a surtax direction.

In determining this point, the further question had to be answered as to whether or not, assuming that an apportionment were made in accordance with the respective interests of the members of the company, more than half of the income of the company could have been apportioned to the four individual members, and accordingly among not more than five persons. If the answer to this question was in the affirmative, then the old company would have satisfied the first essential to be a section 245 company, in that it would have been under the control of not more than five persons for the purpose of section 256 (1) of the Income Tax Act, 1952.

The second essential, however, would be that the old company should not have been, at the material time, a subsidiary within the definition of section 256 (4). According to that subsection a company shall be deemed to be a subsidiary of another company, if by reason of the beneficial ownership of shares therein, the control of the company is in the hands of a company not being a section 245 company.

By the proviso to subsection (4), a company which is deemed for the purpose of section 256 to be under the control of not more than five persons shall not be deemed to be a subsidiary company, unless the circumstances referred to at the end of the proviso to the subsection, and which do not appear to be relevant here, are present. So that one is thrown back again on the question of control by not more than five persons.

The Time Factor

If, therefore, more than half of the company's income could have been apportioned to the four individual shareholders, the company would clearly have been a section 245 company. Now in this case the four shareholders, although they were shareholders and as such were interested in the income fund of the company during the larger part of the relevant accounting period (April 1st, 1956, to January 31st, 1957) had ceased to have any such interest before the end of that period.

The Court, however, held that it was sufficient that the person or persons on whom it was sought to make an apportionment had an interest in the income fund of the company during some part of the accounting period, even though they had none on the last day of that period.

This principle was established by the House of Lords in *Fendoch Investment Trust Ltd v. C.I.R.* (24 A.T.C. 41; 27 T.C. 53), although under a different provision, i.e. section 15 of the Finance Act, 1939. It was there held that an apportionment could be made under the extended powers of section 15 of the 1939 Act, against a person of whom it could be predicated that at any time in the year of assessment he was able to secure the application, directly or indirectly, of income or assets for his benefit

> 'to a greater extent than is represented in the value for apportionment purposes of his relevant interest in the company considered in relation to the value for those purposes of the relevant interests of other persons therein'.

In that case the taxpayer who had control of the company during part of the relevant accounting period, had ceased to have control at the end of that period, but it was nevertheless held that the apportionment against him had been properly made.

There are, of course, points of distinction between the *Fendoch* case and the *Huddersfield* case. The former was an investment company, while the latter was a trading company and the relevant statutory provisions were different. In the latter case the *quantum* was to be determined by reference to the respective interests of the members; in the former the *quantum* to be apportioned was such as appeared to the Commissioners to be appropriate.

The principles, however, that may be regarded as having been determined by the Court in relation to the above points were:

Firstly, that an apportionment could be made against any person who was a member of the company during *any part* of the relevant year, and that accordingly it was necessary for this purpose that he should have been a member on the last day of the accounting period;

Secondly, that the apportionment as far as *quantum* was concerned was to be made by reference to the interests of the members as they existed not at the end of the year but at the time when they were members.

The further point of interest in the *Huddersfield* case relates to the question of what is a reasonable

time in which the distribution must be made in order to avoid the impact of a surtax direction.

In the view of the Court, the relevant point of time by reference to which the question of reasonableness was to be determined, was the date of the resolution of February 14th, 1957, by which the company determined not to make any further distribution of income.

Section 245, it is to be observed, speaks of a failure by a company to make a distribution of a reasonable part of its income 'after the end of any year or other period for which accounts have been made up'. In the instant case, the accounting period ended on January 31st, 1957, and in the view of the Court, the reasonable time thereafter within which the failure to distribute took place ended with the passing of the resolution on February 14th, 1957. The fact that a distribution was made later in the year did not, in effect, cure that default.

In any event, the question was one of fact for the Commissioners, and on the evidence there was no reason to disturb their finding to the effect that a distribution had not been made within a reasonable time.

Conclusion

In conclusion, it should be pointed out that the Court left open the question whether it would have been sufficient for the Crown to establish that the company was not a subsidiary company, and therefore *ceteris paribus* was a section 245 company, by showing that at any time during the relevant accounting period ending on January 31st, 1957, the company was not a subsidiary company, even if it was a subsidiary at that date. (A point which on the facts it did not become necessary for the Court to determine.)

This case is one of considerable importance and should be carefully studied. If one may make an observation, would a surtax direction have followed had there not been the resolution on February 14th, 1957, not to make any further distribution of income? Would the Revenue, but for this resolution, have been satisfied with the further declaration of dividend on December 13th, 1957, after the service of their notice requiring further information? If the scales were evenly balanced, the resolution might have had the effect of tipping them adversely against the company.

THE ACCOUNTING WORLD

The Profession in West Germany

NEW FEDERAL REGULATIONS

by W. VOORS, Wirtschaftsprüfer

THE professional title of *Wirtschaftsprüfer* (public accountant) was established in Germany in 1932 by decree of the President of the former German Reich, and practising accountants were invited to sit an examination to acquire this qualification. At that time compulsory annual audits of the accounts of *Aktiengesellschaften* (public companies) by *Abschlussprüfer* (independent auditors) were introduced, and a stipulation was made that only *Wirtschaftsprüfer* were eligible to be auditors of public companies. Regulations for the exercise of the profession of *Wirtschaftsprüfer*, the protection of their title, their professional organization, etc., were simultaneously issued. These regulations, which were uniform in the entire former Reich, were replaced in 1946 by differing rules and regulations introduced in the several *Länder* (States) or occupation areas.

For several years past both the profession and the Federal and State Governments in West Germany have wished to introduce Federal legislation with uniform rules throughout the country covering admission to the profession, the duties and rights of public accountants, their association in partnerships and companies, their professional organization and disciplinary control. Not the least important reason for the need of Federal legislation was the fact that, under both the 1932 decree and the post-war *Länder* regulations, any *Wirtschaftsprüfer* admitted to the profession by one of the *Länder* was authorized to practise throughout West Germany.

Wirtschaftsprüfer are not the only and were not the first accountants to practise in Germany. The *Vereidigte Buchprüfer* (accountants not eligible as statutory auditors but permitted to practise as advisers and auditors of private limited companies and of other forms of business enterprises) exercised the accountancy profession for many years before

This article has been contributed by a member of the profession in Germany, with the knowledge and approval of the German *Institut der Wirtschaftsprüfer* We hope it will remove any misunderstanding of the new Federal German regulations to which difficulties of translation and compression may have given rise in the brief note on the subject in our issue of November 4th last.

1932. Their present Association has been in existence for sixty-five years.

New Act

Although, originally, separate legislation was envisaged for *Wirtschaftsprüfer* and for *Vereidigte Buchprüfer*, an Act has recently been promulgated covering both branches of the accountancy profession. This Act, which became effective on November 1st, 1961, provides certain facilities enabling *Vereidigte Buchprüfer* to become *Wirtschaftsprüfer*: they may, within seven years from 1961, take a special course of tuition and subsequently sit an oral examination to become *Wirtschaftsprüfer*. The intention is that, as no additional *Vereidigte Buchprüfer* will be appointed, the title will ultimately disappear. So long as *Vereidigte Buchprüfer* are in practice, most of the provisions of the Act will apply to them. In this article, where provisions of the Act apply to both *Wirtschaftsprüfer* and *Vereidigte Buchprüfer*, only the former are mentioned.

The new Act, dated July 24th, 1961, regulating the profession of *Wirtschaftsprüfer* which, as previously stated, came into force on November 1st last, comprises 141 sections, and briefly described below are matters contained therein which may be of interest to readers in Britain and elsewhere.

Appointment of *Wirtschaftsprüfer*

Wirtschaftsprüfer are appointed (*bestellt*) by the appropriate Ministry of the *Land* in which he or she intends to exercise the liberal profession of accountancy. Appointment is made following acceptance by an admission committee and the passing of an examination before an examination board.

A *Wirtschaftsprüfer* candidate must possess an academic degree (economics, law technical or agricultural) and must have had six years' practical experience in business, four of these in audit work (two of which in the service of a *Wirtschaftsprüfer*), before he can apply for permission to sit the examination. The demand of an academic degree may be waived for a candidate who has had ten years' practical experience in the service of a *Wirtschaftsprüfer*. The foregoing rules can be modified in special cases.

Examinations for *Wirtschaftsprüfer* candidates consist of a written, followed by an oral, examination.

Before being handed their certificate of 'appointment' *Wirtschaftsprüfer* must swear an oath confirming that they will exercise the profession of a *Wirtschaftsprüfer* conscientiously, that they are aware of their professional responsibilities, that they will not disclose knowledge gained in the exercise of the profession and that they will furnish impartial reports and opinions.

Association of *Wirtschaftsprüfer*

The association of *Wirtschaftsprüfer* in the form either of a partnership or in the managing board of a company is frequently found in Germany. Such partnerships or companies exercise the profession as a *Wirtschaftsprüfungsgesellschaft*. The right to practise in this way, either in the form of a partnership of or that of a company, also requires acceptance (*Anerkennung*) by the appropriate *Land* Ministry.

'Accepted' partnerships or companies formed by *Wirtschaftpsrüfer* may open one or more branch offices in Germany or abroad, but a sole practitioner may have only one branch office in addition to his or her main practice.

A *Wirtschaftsprüfungsgesellschaft* may be organized in any one of the following legal forms:

Aktiengesellschaft (A.G.) – a public limited company.

Kommanditgesellschaft auf Aktien (K.Ga.A.) – a public company with shareholders of limited liability and at least one shareholder with unlimited liability.

Note: In the case of these two types of companies only registered shares may be issued and the articles (statutes) must provide that transfers of shares are subject to the company's approval.

Gesellschaft mit beschränkter Haftung (G.m.b.H.) – a private limited company with registered shares.

Note: The articles (statutes) must provide that share transfers are subject to the company's approval; the share capital must be not less than DM50,000 nominal and must be fully paid up.

Offene Handelsgesellschaft (O.H.G.) – a partnership with unlimited liability of all partners.

Kommanditgesellschaft (K.G.) – a partnership with partners of both limited and unlimited liability.

Note: Partnerships must be registered in the Trade Register.

A company or firm which has been accepted as a *Wirtschaftsprüfungsgesellschaft* must include that word in its firm name.

The acceptance (*Anerkennung*) of any one of the foregoing types of organizations as a *Wirtschaftsprüfungsgesellschaft* is subject to the conditions that:

(1) in the case of the three types of companies, the board of management must be entirely composed of *Wirtschaftsprüfer*, at least one of whom must be a resident of the town in which the company is registered;

(2) in the case of the two types of partnerships, all partners with unlimited liability must be *Wirtschaftsprüfer*, at least one of whom must be a resident of the town in which the partnership is registered.

The following exceptions to these general rules are permissible:

(*a*) The appropriate *Land* Ministry, following consultation with the *Wirtschaftsprüferkammer* (the 'Chamber' of German accountants), may allow persons who are not *Wirtschaftsprüfer*, such as *Vereidigte Buchprüfer* (previously mentioned), tax advisers, lawyers or engineers, to be members of the board of management of existing *Wirtschaftsprüfer*-companies, provided their aggregate number does not exceed the number of *Wirtschaftsprüfer* in this board. A similar

concession may be granted to such persons to become partners with unlimited liability of existing *Wirtschaftsprüfer*-partnerships.

(*b*) The appropriate *Land* Ministry, following consultation with the *Wirtschaftsprüferkammer*, may allow persons, who are qualified accountants of a foreign country, to be members of the board of management of companies, or to be partners with unlimited liability in an existing *Wirtschaftsprüfer*-partnership, provided that the conditions of obtaining their qualification are in the main similar to those stipulated by this Act and provided that in such foreign country similar privileges are enjoyed by German *Wirtschaftsprüfer*.

The number of such non-*Wirtschaftsprüfer* board members or partners with unlimited liability, including those mentioned under (*a*) above, may not exceed that of the board members or partners with unlimited liability who are *Wirtschaftsprüfer*; for this purpose accountants with foreign qualifications, who are partners with unlimited liability in a *Wirtschaftsprüfer*-partnership but who are excluded from the management of the partnership, are not taken into account.

'Certificates', as required by law, issued by a *Wirtschaftsprüfungsgesellschaft* may only be signed on behalf of that firm or company by one or more *Wirtschaftsprüfer*. German accountants do not issue 'opinions' in the United States sense or 'reports (short form)' in the United Kingdom sense, but a certificate to the effect that the accounts conform to the legal requirements.

A public register of *Wirtschaftsprüfer* and *Wirtschaftsprüfungsgesellschaften* and on their branch offices is maintained by the *Wirtschaftsprüferkammer* (see below). *Wirtschaftsprüfer* and the representatives of *Wirtschaftsprüfungsgesellschaften* must report all changes of address within two weeks.

A *Wirtschaftsprüfer* may not engage in any trading activities, he must not enter the employ of anyone except a *Wirtschaftsprüfer* or a *Wirtschaftsprüfungsgesellschaft* or similar organization. As an employee of a *Wirtschaftsprüfungsgesellschaft*, a *Wirtschaftsprüfer* should have the legal position of a *Prokurist*[1], but he must be under no obligation to sign any document which he, as an independent practitioner, would not be prepared to sign.

A *Wirtschaftsprüfer* may undertake joint professional work abroad or associate with foreign accountants, provided such foreign accountants exercise the profession broadly in conformity with the standards foreseen under the Act. But *Wirtschaftsprüfer* must retain the right to carry out audit work prescribed by German law; in other words, he must be permitted to continue to act as a statutory auditor of an *Aktiengesellschaft*.

A branch office must be headed by a *Wirtschaftsprüfer* resident in the town where the office is registered.

Wirtschaftsprüfer must observe professional ethics on announcing the establishment of their practice and on accepting clients' instructions. Advertising is not allowed. They must insure against professional risks.

The Federal Minister of Economics may issue binding orders for fees to be charged for work required by law.

[1] A *Prokurist* is a person with a limited or unlimited power to bind his company or firm.

Wirtschaftsprüferkammer (Chamber of Accountants)

All *Wirtschaftsprüfer* and non-*Wirtschaftsprüfer* (including qualified accountants of a foreign country), who are members of the board of management of *Wirtschaftsprüfer*-companies and those members of a *Wirtschaftsprüfer*-partnership who have unlimited liability and the right to represent their firm, must be members of the *Wirtschaftsprüferkammer* (Chamber of Accountants). The recognized *Wirtschaftsprüfungsgesellschaften* are also members of the Chamber.

The Chamber supervises the professional activities of its members. It also furthers and protects their professional interests, advises its members on matters of professional standing and ethics and is authorized to issue rules for the exercise of the profession. In addition, the Chamber may organize the professional training and study of prospective members of the profession.

The *Wirtschaftsprüferkammer* should not be confused with the *Institut der Wirtschaftsprüfer*. The former is a legally recognized body of which membership is compulsory; membership of the latter is voluntary. The *Institut* renders those services to its members and fulfils those functions which are not specifically assigned to the *Kammer* by statute.

Disciplinary Control

If so requested, a member of the Chamber must attend a disciplinary hearing before the Chamber, its board or any committee appointed by it and is obliged to answer questions by the board or a committee, always provided that professional secrecy is observed. If the board of the Chamber then decides that an offence has been committed, it can pronounce a 'reprimand' where the offence is not considered serious and where a case in Court against the offender does not appear justified. An appeal against a reprimand may be made to the board and, if this is rejected, to a Court of law.

A *Wirtschaftsprüfer* who is guilty of non-observance of his duties may be cited before a special Court of law. Sentences may be either a warning, a censure, a fine (up to DM10,000) or expulsion from the profession.

A non-*Wirtschaftsprüfer* who is a member of the board of a *Wirtschaftsprüfungsgesellschaft* or a member with unlimited liability of a partnership may be likewise sentenced. As he cannot be expelled from the profession, he may be pronounced unfit to represent a body of *Wirtschaftsprüfer*.

The Courts of law, i.e. Ordinary, Appeal and Supreme Courts, will establish special divisions to

deal with cases concerning the professional activities of *Wirtschaftsprüfer*. Such special Court divisions consists of a Jurist-President and two *Wirtschaftsprüfer*.

Conclusion

Existing *Wirtschaftsprüfungsgesellschaften* which do not comply with the rules of the new law, have three years in which to achieve compliance (in exceptional circumstances eight years).

The Act prohibits the use of the title of *Wirtschaftsprüfer* by non-qualified persons and the use of additional unprotected titles (such as *Wirtschaftsberater*) by *Wirtschaftsprüfer*.

The Act does not create a professional monopoly. Anyone may continue or commence to practise accountancy and auditing in Germany, provided 'protected' titles are not used and, of course, such practitioners are not eligible as statutory auditors of *Aktiengesellschaften*, for which only *Wirtschaftsprüfer* are allowed to act. Other practitioners may, however, function as auditors of any other form of company or partnership for which, at present, statutory auditors are not required.

Weekly Notes

NEW YEAR HONOURS

IT is with pleasure that we offer our congratulations to those members of the profession whose names appeared in the New Year Honours List.

Mr C. H. Pollard, C.B.E., F.S.A.A., F.I.M.T.A., city treasurer of Kingston upon Hull until his retirement last month, and President of The Institute of Municipal Treasurers and Accountants in 1952, becomes a Knight Bachelor, as does Mr James Robert Lumsden, C.B.E., D.L., J.P., C.A., of Alexandria, Dunbartonshire, for political and public services in Dunbartonshire.

Five members of the profession receive the C.B.E.; they are Mr Leonard C. Hawkins, F.C.A., a member of the London Transport Executive and a member of the Council of The Institute of Chartered Accountants in England and Wales; Mr Hugh H. Goodwin, M.B.E., F.C.A., chief executive

Mr C. H. Pollard
Knight Bachelor

Mr L. C. Hawkins
C.B.E.

officer, Herring Industry Board; Mr J. Matson, F.C.A., managing director, The Monotype Corporation Ltd; Mr J. Dunlop, O.B.E., C.A., F.F.A., chairman, Scottish Health Service Council, and (in the New Zealand List) Mr C. H. Perkins, B.COM., F.P.A.N.Z., partner in the firm of Pickles, Perkins & Hadlee, Public Accountants, of Christchurch, and President of the New Zealand Society of Accountants 1946–47, for services to accountancy and education.

The O.B.E. has been awarded to Mr Herbert Wellard Archer, F.C.A., finance officer, British Red Cross Society; Mr J. C. Dickinson, F.C.A., who is resident in Sweden where he is a partner in the firm of Price Waterhouse & Co, Chartered Accountants, of Stockholm; Mr Herbert Kennewell, F.C.A., director, National Hosiery Manufacturers' Federation, and Mr A. R. Laurie, C.A., A.C.W.A., managing director, Welch Margetson & Co Ltd.

The M.B.E. has been awarded to Mr Frank Wild, A.I.M.T.A., treasurer, Trent River Board.

We also extend our congratulations to Sir Alexander Johnston, chairman, Board of Inland Revenue, who receives the G.C.B.

COMMON MARKET FREEZE-UP

ONE of the casualties of the cold spell has been a diplomatic one. The member-countries of the European Common Market failed last week-end to agree formally that the targets set for stage one of the implementation of the Treaty of Rome had been in fact achieved. The failure was over a common agricultural policy on tariffs, subsidies and price supports. On this issue it is Western Germany and France which cannot reach agreement. According to the treaty, in what may seem in this country an excess of formal and juridical zeal, ministers of the member-countries must agree formally that stage one has been completed before stage two can begin.

Much play has been made of the crucial nature of the date of December 31st, for the formalists would have it that failure to reach agreement on that date means a postponement of the beginning of stage two for a whole calendar year. If agreement can, however, be reached a few days after zero date it seems unlikely that a legal loophole cannot be found to cover the situation and there are reports that such a loophole has been discovered and that there will be agreement before the end of this month. Thereafter stage two will begin.

From this country's point of view, failure of the European Common Market countries to agree on

agricultural policy would make even more difficult negotiations for Britain's entry into the market. Opinion this week in London did not take a tragic view of the failure to meet the deadline in Brussels but expected agreement early in January which would enable talks with this country to proceed.

MORE PRODUCTION WITH LESS INFLATION

THE Engineering Industries Association, through its Financial Problems and Taxation Committee, has made representations to the Chancellor of the Exchequer in which it states that the main economic problem is to encourage a climate which is favourable to steady increases in efficient production and which does not produce inflation. 'The test is whether we can achieve a flexible and developing economy, in which expanding industries can grow healthily.'

On perhaps six occasions in the last fourteen years, successive Governments have been compelled to take relatively drastic decisions, to check or accelerate the tempo or direction of economic development. These measures, says the Association, have borne exceptionally heavily on the industries which could and should be expanding; for example, frequent credit restrictions affect development and exports, and there is the hindrance of hire-purchase restrictions and changes in purchase tax.

If the purpose is to foster a flexible and developing economy, the following measures would help, suggests the Association:

(*a*) The availability of reliable productivity indices for every sector of industry, so that wages negotiations can be related to increases in production.

(*b*) Further experiments with 'seniority pay', i.e. an element in wages calculation related to long and loyal service.

(*c*) 'Severance pay', falling not on the releasing industry and employer, but spread through National Insurance.

(*d*) More housing in expanding areas.

(*e*) A reform of the tax system.

(*f*) More effective taxation capital allowances, to encourage building and expansion of plant on a long-term basis: industry must plan development programmes some years in advance.

(*g*) A review of the whole system of apprenticeship, with small annual grants to firms undertaking training, on the basis long advocated by the E.I.A.

(*h*) Development of higher education, particularly at universities and colleges of technology.

(*j*) Investigation on 'portable' superannuation benefits, to facilitate the movement of management personnel.

(*k*) Further development of export finance in line with new commercial developments.

(*l*) A progressive reduction in Government expenditure (particularly on subsidies and, later, on defence) and a progressive reduction in taxation, with some movement towards a greater proportion of indirect taxation.

Small- and medium-sized firms continue to pay more profits tax than they did prior to the Finance Act, 1958, when they were entitled to non-distribution relief. The larger companies which customarily make annual dividend distributions are better off. The plight of the smaller companies which are most greatly reliant upon self-finance out of profits, was again accentuated by the increase in the flat rate of profits tax last year from 12½ per cent to 15 per cent. The Association again advocates the following adjustments to the exemption and abatement reliefs: (*a*) exemption of profits up to £5,000; (*b*) abatement relief to be one-third of the difference between the profits and £20,000.

Profits tax at the present rate of 15 per cent is far too high, the Association states, taking into consideration the fact that profits tax is a direct levy on the equity profits which are available for self-finance of industry. The flat rate should be reduced as soon as possible or alternatively the idea of a consolidated rate of corporation tax applicable to all companies (to cover the present income tax and profits tax) should be considered. In the event of a corporation tax being levied, some form of abatement for the smaller and medium-sized companies earning profits up to, say, £20,000 per annum should be devised.

B.M.C. AND ROLLS-ROYCE

THE announcement that the British Motor Corporation and Rolls-Royce are to enter into discussions about technical co-operation in motor-car engineering is intriguing but vague. Both companies have outstanding reputations in the field. The B.M.C. has a comprehensive distribution system to offer, great experience in mass production and a reputation for using modern techniques of management and cost control in production. Rolls-Royce have their unique reputation for batch production in cars.

So far as Rolls-Royce are concerned it is a long time since their cars made a significant contribution to their profits. Their big line is aero-engines, and even their diesel output far exceeds that of their cars. Their attitude to cars is largely pride in a quality product with an essentially limited market. Yet it is clear from the announcement that even this brand of nostalgia cannot hold out for ever against the corroding effects of high taxation. In other words, if a Rolls-Royce cannot be charged as an expense how are enough to be sold to make it worth while (on the most indulgent definitions of these two words) to keep expert and experienced teams of motor engineers together?

It is difficult to know which adage to choose. Does misery acquaint companies with strange bedfellows or is it true that necessity is the mother of invention – even when you start with an invention as good as a Rolls-Royce?

E.C.G.D. ACCOUNTS FOR 1960–61

DURING the financial year ended March 31st, 1961, the Export Credits Guarantee Department increased its credit balance on cumulative account for commercial business from £20,478,232 to £27,872,964.[1]

Premium income for the year was £7,454,981 (compared with £6,633,808 in the previous year). Operating expenses were £1,395,257 (compared with £1,361,923), while claims paid amounted to £4,020,298 (compared with £5,084,809) of which it is estimated that about three-quarters will eventually be recovered.

Guarantees given in the national interest 'for the purpose of encouraging trade with countries outside the United Kingdom' and outstanding amounted to £68 million (compared with £47 million): arrangements made under the same section 'for the purpose of rendering economic assistance to countries outside the United Kingdom' involved liabilities in respect of principal and interest of £157,766,011 (compared with £105,095,763).

[1] *Trading Accounts and Balance Sheets 1960–61*. H.M.S.O. Price 8*s* 6*d*.

This is My Life . . .

by An Industrious Accountant

CHAPTER 105

IT'S always interesting to study the impact that the accountancy profession makes on outsiders. The indications are that our neighbours sometimes misguidedly view us in a light that is far from accurate. So I turned to Charles Dickens to see how we looked a hundred-odd years ago.

True, most often he satirized the legal profession, as witness the long roll-call of names from *Bardell v. Pickwick* to *Jarndyce v. Jarndyce*, but few categories of contemporary English life escaped his searching glance. There are doctors, architects, patriots, publishers, thieves, rebels, poets, teachers . . . the list would fill pages. The only omission seems to be the auditor, so far as I have searched; it's rather disappointing.

But there *is* a tiny glimpse of our ancestor, the head book-keeper, and his functions, in *Nicholas Nickleby*. Nickleby *père*, it will be remembered, had died destitute, leaving his 19-year-old son to support a mother and sister; in those days starvation faced many such stricken and helpless dependants. So Nicholas sought manfully for a job.

His first effort was as assistant master at the infamous Dotheboys Hall with Mr Squeers, at £5 per annum and keep; his second with Mr Crummles' troupe of strolling players, who forecast buoyantly £1 per week and perhaps nearly double, 'if we had a run of good houses'. At the third attempt, he rang the bell.

The columns of *The Accountant*, though of ancient lineage, were not available in 1839, so Nicholas sought aid where a blue board inscribed in letters of gold proclaimed 'General Agency Office' where a long and tempting array of written placards listed 'unimpeachable masters in want of virtuous servants'. Outside the door, by a freak of chance, he met one of the Cheeryble twins; by a further stroke of luck, the brothers were even then seeking a clerk. They picked Nicholas.

It must be admitted that Dickens, perhaps in common with the Victorian middle-class, had but the haziest idea of commercial book-keeping duties. The Cheeryble twins, who started as barefoot boys, had made a fortune in their trading, but we only hear of 'a warehouse which presented every indication of a thriving business'. The staff, on analysis, turns out to be but four warehousemen and porters and Tim, an elderly clerk, in 'a little partitioned-off counting-house, like a large glass case'. He had worked there for forty-four years, in which time he had not slept out of the back attic one single night. It was time to groom his successor. Nicholas was to receive £120 per year, a little cottage rent-free, and a couple of small loans (non-repayable); he has arrived.

Nor do his duties appear to be onerous. For two weeks 'all his spare hours were incessantly devoted to acquiring the mysteries of book-keeping and some other forms of mercantile account'. He then reports his proficiency (Final exam students may note the bogey for the course in those unenlightened days), and is allowed to make his first entry in the massive ledger. It is a momentous occasion for Tim – 'suppose there should be any mistake – any scratching out!'

Tim turns pale, the brothers come to watch, Nicholas wields his quill; after a tense moment he is approved rapturously. 'His capital B's and D's are exactly like mine', cries Tim. He never looks back and the last chapter tells of the firm of Cheeryble & Nickleby. Clearly his fortune is made also, but we never learn any more than this outline of the duties of a chief accountant in 1839, which seems a pity.

G. K. Chesterton said in his glowing eulogy of Dickens: 'There may be any number of shabby swindlers in fiction; but there is only one who said, after unsuccessful attempts to borrow five shillings and half a crown: "why, then we come to the ridiculously small sum of eighteenpence." ' If each shilling was a million pounds and Dickens had described the steps taken by an auditor to foil and expose the swindler, it would have heralded admirably the arrival of the profession in the business world.

Reviews

Cost Reduction Guide for Manufacturing Management

by E. E. WYATT and H. CLIFTON MORSE (Wyatt & Morse Inc., $18). Distributed by Hitchcock Publishing Co, Wheaton, Illinois.

If one asks how costs are controlled in a manufacturing business, the most frequent answer is in terms of budgetary control and standard costing. The value of these methods, from the point of view of minimizing costs, will obviously depend on the basis used in setting standards. Provided that current selling prices show a reasonable margin of profit when compared with current standards it is possible that no great pressure is brought to bear, in many cases, on the improvement of the standards. If standards are loose, it is clear that income margins are being dissipated; in other words, that 'cost control is not in fact effective, and what is needed is a positive effort for *cost reduction*'.

Accounting control is indeed one tool of cost reduction, but, as the authors of this book point out, to take a strictly accounting approach to cost reduction is to confine cost reduction efforts to only one group of experts, and to ignore the talents of other members of the organization. Top management exhortation, the establishment of non-accounting standards, the standardization of forms, equipment and procedures, work simplification and other methods of operations analysis are all tools for cost reduction; but one to which high importance must be given is the asking of questions.

Nearly half of the volume under review is devoted to the tabulation of over 1,200 questions related to the cost-efficiency of every aspect of a manufacturing organization; and there can be few businesses which would not find here some suggestions by which the efficiency of their work could be improved.

Taking a few of the 175 questions dealing with financial control, one finds, for example:

> Are the methods used for obtaining burden rates sound in the light of today's operations?
>
> Is inventory investment in each major area warranted by profits?
>
> How does your company compare, currently as well as in the past, with competitors, as to ratio of inventory investment to sales, current ratios, etc.?
>
> Is unnecessary expense incurred in capitalizing many low-cost items?

The main questionnaire is supplemented by specimen wall charts displaying causes of waste on which junior management action is possible.

The remainder of the book gives suggestions for the organization of a cost reduction programme and illustrates it with case histories. Cost reduction is classified into: waste prevention; operations analysis; feed-in of new ideas; and each class is examined in detail.

It is possibly in the method of organizing cost reduction, by the appointment of a cost reduction co-ordinator and a series of cost reduction specialists in the various units of the business, where the reader outside the North American field will find himself least in sympathy with the authors' approach. Departmental managers as a whole are jealous of their autonomy. They feel that they are appointed to do a job and should be trusted to do it effectively without the interference of 'specialists' having no higher qualifications than they themselves.

As far as Britain is concerned, it is possible that this attitude is as typical of, and as damaging to, industry and commerce as the equivalent attitude is to British sport. As it was recently expressed in a national Sunday paper, 'we prefer the natural athlete, the man who wins by sheer innate ability with the minimum of preparation or effort'.

The great advantage of making a cost reduction programme the specific responsibility of selected people is that they can give undivided thought and attention to its responsibilities. The authors of this book have no doubts on the subject. They state unequivocally that 'a planned company-wide approach which places company cost reduction activity on a level with other major organizational functions is the most productive approach'.

It is possible that in bringing to the reader these hard fruits of experience the authors will provide their most valuable service.

The Structure of Industry in Britain

by G. C. ALLEN, PH.D., M.COM. (Longmans, Green & Co Ltd, London, 12*s* 6*d* net.)

The contents of this book, which are intended primarily for the economics undergraduate, are better described by the sub-title – 'a study in economic change'. Professor Allen does not so much describe the present state and structure of British industry, although that emerges very clearly from the text, as show the various forces which have moulded it over the past century and a half into its present form. In this context the role of Government intervention has been all important and Professor Allen has much to say about this. He is disturbed by the growing tendency of governments to provide financial assistance to decaying industries, just as he is aware that political considerations often frustrate the development and implementation of sound commercial policies for the nationalized industries.

As a member of the Monopolies Commission the author has strong views about the decline of competition before the war which often took place with the Government's blessing. He is of the opinion that the 1956 Restrictive Practices Act has dealt a death blow to cartelization in British industry but believes

that the full effects of this legislation will not be apparent until a new recession brings about tougher competition. This is a readable summary of academic thinking of trends in British industry.

Economics

An Introductory Analysis. *Fifth Edition*, by PAUL A. SAMUELSON. (McGraw-Hill Publishing Co Ltd, London. 58*s* net.)

The appearance of this new and revised edition of this popular textbook serves as a reminder, in case any were needed, of the excellence of a text which has probably sold more copies throughout the world than any other comparable economics book. Quite apart from the beautifully clear type, the excellent lay-out and division of the text, as well as the coloured diagrams, this book owes everything to the remarkable facility with which Professor Samuelson has contrived apparently to concentrate on those branches of economics which the student is anxious to study, yet to provide at the same time an understanding of the theoretical analysis. Each chapter is summarized to enable the student to refresh his memory and there are questions which enable him to test his understanding. This is American textbook writing at its very best.

Price-level Adjustments of Financial Statements – An Evaluation and Case Study of Two Public Utility Firms

by ELDON S. HENDRIKSEN, B.S., M.B.A., PH.D., C.P.A. (Washington State University Press. $4.)

In the United States, as in Britain, the view that depreciation should be based on the historical cost of assets receives official support, although there also, in certain limited fields, it is accepted that depreciation should reflect current price-levels.

The argument for the latter view is that it shows whether progress in real, as opposed to monetary, terms is being made or not, i.e. gains or losses arising merely from changes in prices do not obscure the accounting results. What militates against the use of replacement costs is the difficulty of choosing a consistent and acceptable price index.

In this book, Professor Hendriksen works out the effect of applying no less than six different indexes to the figures for the years 1937 to 1956 for two public utility concerns. The figures he studies are net income, investment in plant and equipment, return on investment and certain current assets and liabilities.

The results so obtained vary very much depending on the index used, and illustrate some of the difficulties of selecting a suitable index. Apart, therefore, from stating admirably the theoretical case for adjusting for price-level changes, Professor Hendriksen, by actually working out the effect of applying different indexes, emphasizes one of the main problems connected with this subject.

Slater's Mercantile Law

Fourteenth edition by LORD CHORLEY, M.A., Barrister-at-law, and O. C. GILES, LL.M., Barrister-at-law. (Sir Isaac Pitman & Son Ltd, London. 30*s* net.)

It is five years since the publication of the previous edition of this well-known vade-mecum into the realms of mercantile law. In that time the Restrictive Trade Practices Act has been passed, as well as the new Copyright Act, which have involved some rewriting, not to mention the Cheques Act. The chapter on insurance has been recast to bring out the common features of several branches of this law. In the corresponding chapter in the previous edition the stamp duties on the various policies were set out, but now all reference to stamp duty is omitted from this chapter, although stamp duty is still mentioned in relation to receipts and to agreements under hand. This may mislead some students into thinking that where no stamp duty is mentioned, none exists, which is far from the truth. The sixpenny agreement stamp is mentioned only in relation to guarantees, where the following sentences occur:

> 'A guarantee, like any other agreement under hand, requires a sixpenny stamp. The document must be stamped within fourteen days of the date of the guarantee.'

A guarantee is not necessarily under hand. An agreement under hand does not necessarily attract sixpence duty; it may be more or less, depending on the facts. Finally, the time limit for stamping was extended from fourteen days to thirty days in January 1956. As regards bills of exchange, whose very validity depends on their being stamped, the necessity for stamping is mentioned only by the way in relation to foreign bills. Perhaps in a book of this kind the safer course is not to attempt to deal with stamp duties at all.

The Theory of Capital

by Professor F. A. Lutz and Professor D. C. Hague. (Macmillan & Co Ltd, London. 50*s* net.)

The ninth conference of the International Economic Association in 1958 was devoted to a discussion of the theory of capital. This is undoubtedly one of the most unsatisfactory branches of economic theory and the thirteen papers comprising this volume, together with a summary of the discussions following each paper, did little to produce a synthesis of ideas, much less a new theory.

The impact of the new concept of the capital-output ratio is clearly evident but empirical evidence in support or otherwise of the theory was inadequate, not least because of the unacceptability of some of the statistical material adduced in its support. It should be stressed that all these papers are at a very high level of sophistication and, unlike preceding volumes in this excellent series, are of interest only to the specialist.

Business Consortia

by A. Harding Boulton, LL.B.(LOND.), F.C.I.S. (Sweet & Maxwell Ltd, London. 30*s* net (U.K. only).)

The content of this slim volume would have made several useful articles in one of the publisher's journals and in this way would have enjoyed a wider readership than is likely in its present expensive format. The subject-matter is the business consortium formed by a number of companies or other types of business undertaking for the carrying out of contracts in which their diverse skills must be merged.

An outstanding example in this country is the grouping of the electrical and heavy engineering combines specializing in atomic energy plants. Similar consortia have been formed in other industries and in most of the main European countries. The author sets out the main problems of management as well as the legal considerations which confront the consortium, but throughout this quite interesting study one is left with the impression that the really important and new contribution of the work could have been contained in a couple of long articles.

Whillans's Tax Tables and Tax Reckoner 1961-62

by GEORGE WHILLANS, F.I.B. (Butterworth & Co (Publishers) Ltd, London, 1961. 5*s* 6*d* (5*s* for six–twenty-four copies; 4*s* 6*d* for more than twenty-four copies.)

These well-known tables are in precisely the same form as last year except, of course, that there are minor changes in figures and 1961–62 now figures as the important year. There is an addendum showing new rates of National Insurance contributions, which can be stuck on the tables at the appropriate place.

When My Girl Comes Home

by V. S. Pritchett. (Chatto & Windus, London. 16*s* net.)

When looked at through the microscope, insects scarcely visible to the naked eye become creatures of enormity with distinct and often eccentric personalities. This also is what happens to the ordinary men and women upon whom Mr V. S. Pritchett concentrates his perceptive gaze. Further, in each story, the main character has a problem which appears to be magnified in keeping with the personal image which his creator projects on to his pages. That preoccupying the mind of Charles Peacock, attending a professional annual dinner in the Midlands (as recounted in the second story in the book, entitled 'The Fall'), is the overwhelming personality of his famous actor-brother, Shelmerdine.

Mr Pritchett brings about the discomfiture of his puppet deftly, but with a certain compassion. With the assembled guests in the mass, however, he is rather less than kind. There is 'the bullocky noise of two hundred-odd chartered accountants in black ties' taking their aperitifs and the laughter greeting the after-dinner speeches comes from 'a pack of wolves, hyenas, hounds in dinner jackets'. Would a gathering of authors or critics sound any less bovine in the bar? Does the broadcast laughter which emanates from the glittering company at Royal Academy banquets sound any less gregariously animal? Perhaps Mr Pritchett chose accountants because he regards them as the exact antithesis of actors. At any rate, it is not a very flattering glimpse of the profession *en fête* which he gives to his readers.

The Hospitals Year Book, 1962

Editor: J. F. Milne, M.C., B.SC.(ECON.). (The Institute of Hospital Administrators, London. 63*s* net; by post 65*s* 9*d*.)

The new edition of this work of reference has again undergone a thorough revision planned to provide up-to-date and authoritative information for all branches of administration and management in the hospital and allied services. The hospital directory sections give full particulars of hospitals and hospital authorities in Great Britain, Northern Ireland and the Isle of Man. Other sections provide details of hospital finance, Government departments and statutory bodies, organizations concerned with hospital and health services, local health authorities, executive councils, the National Health Service, Whitley Councils, and hospital contributory and provident schemes. The substantial reference section includes notes for hospital administrators on legal, technical and general subjects, as well as detailed indexes to statutory instruments. As in previous years, the final section consists of a comprehensive guide to hospital purchasing.

In his review of the hospital service during the past year, the editor discusses the hospital building programme, the effects of the Mental Health Act, 1959, the aspects of the geriatric services, the welfare of patients, and the continued activity of the central O. and M. unit at the Ministry of Health, which has now widened the scope of its work. The publication of abstracts of efficiency studies is, he says, enabling the results of studies of general interest to become widely known throughout the service.

RECENT PUBLICATIONS

UNITED STATES FISCAL POLICY, 1945–1959, by A. E. Holmans. xiv–342 pp. 9×6. 40*s* net (United Kingdom only). Oxford University Press, London.

THE ORGANIZATION FROM WITHIN, A Comparative Study of Social Institutions based on a Sociotherapeutic Approach, by Cyril Sofer. xiii+178 pp. 9×6. 25*s* net. Tavistock Publications Ltd, London.

AMERICAN CAPITAL AND CANADIAN RESOURCES, by Hugh G. J. Aitken. xii+217 pp. 8½×6. 40*s* net. Harvard University Press; Oxford University Press, London.

INTERNATIONAL MONETARY POLICY, second edition, by Dr W. M. Scammell. xv + 428 pp. 9×6. 40*s* net. Macmillan & Co Ltd, London.

Finance and Commerce

Rolls Razor

THE reprint in this first issue of a new year features what would appear to be the last accounts of Rolls Razor Ltd, as the company has been known since its formation in 1927 to make and market the Rolls razor – the last word in safety razors of the time. Since then the introduction of the electric shaver has largely revolutionized the shaving situation.

Note 2 on the accounts shows what is now happening regarding the company. The option held since December 31st, 1960, to acquire the capital of the Electromatic Washing Machine Co Ltd, is being exercised with effect from January 1st, 1961. A yet further recent development has added a dishwasher to the company's products. Rolls has, with Charles Colston Ltd, gone fifty-fifty with Sir Charles Colston (a one-time Hoover chief) in a new £¼ million subscribed-capital company which takes over his company's automatic dishwasher, to which will be applied the 'Electromatic' direct-selling-to-the-public system. 'Electromatic' washing machine sales are approximately 40 per cent cash and 60 per cent hire-purchase.

In these circumstances, the Rolls accounts are very properly accompanied by a statement on the financial position of Electromatic as reported by its auditors. This statement forms part of our reprint.

Growth

Rolls ceased to be a 'quoted' company when Mr J. Bloom, who developed the Electromatic business in such short time, acquired an interest which is now just over one-third of the capital. Mr Bloom, with the exercising of the option, receives a further £100,000 in the form of two million 1s Rolls Deferred shares. His rise to business fame dates only from August 1958 when his Electromatic company was formed to import washing machines from Holland to sell direct to the public.

Initially, the machines were imported complete; then, later, without motors which were bought in England. In January 1960, an agreement was entered into whereby Rolls became exclusive manufacturer of the Electromatic machine, the price to be manufacturing cost (as defined) plus 10 per cent. A new agreement in the following October imposed a maximum price for each type of machine manufactured with effect from June 1st of that year.

Electromatic also operates as Cricklewood Finance Co, a hire-purchase division handling a proportion of the company's hire-purchase business; and

ROLLS RAZOR LIMITED

BALANCE SHEET AS AT 31st December, 1960

	£ Authorized	£ Issued	£ 1959
SHARE CAPITAL AND RESERVES—			
SHARE CAPITAL—			
15% Preferred Ordinary Shares of 10s. each, fully paid	100,000	100,000	100,000
Deferred Shares of 1s. each, fully paid	200,000	150,000	150,000
	300,000	250,000	250,000
CAPITAL RESERVE			
Surplus on revaluation of Freehold Property	243,145	—	—
Deduct: Transfer to Profit and Loss Account	146,140	—	—
		97,005	
		347,005	250,000
Deduct: Adverse Balance on Profit and Loss Account		232,161	146,140
		114,844	103,860
CURRENT LIABILITIES—			
SUNDRY CREDITORS AND ACCRUING EXPENSES		268,164	42,576
AMOUNT DUE TO ELECTROMATIC WASHING MACHINE CO. LTD.		18,095	—
PROVISION FOR SERVICING UNDER GUARANTEE		25,000	—
LOAN (Unsecured)		71,750	—
BANK OVERDRAFT (Secured)		154,689	64,955
		537,698	£211,391
		£652,542	

	£ Cost or Valuation	£ Depreciation	£	£ 1959
FIXED ASSETS—				
FREEHOLD PROPERTY (as valued at 31st December, 1960)	300,000	—	300,000	48,428
LEASEHOLD PREMISES (at cost)	8,633	849	7,784	—
PLANT, MACHINERY, EQUIPMENT, etc. (as valued at 31st December, 1931, with subsequest additions at cost)	303,209	183,838	119,371	54,050
	611,842	184,687	427,155	102,478
INTEREST IN WHOLLY-OWNED SUBSIDIARIES				
(See Note 1)—				
SHARES AT COST, less amounts written off		3,336		3,588
Deduct: Amount due to Subsidiary		2,452		2,452
			884	1,136
CURRENT ASSETS—				
STOCK AND WORK IN PROGRESS at lower of cost or net realisable value		198,925		49,870
SUNDRY DEBTORS AND PREPAID EXPENSES		24,854		57,023
CASH IN HAND		724		884
			224,503	
R. READER HARRIS } *Directors* J. BLOOM }				
A. R. SOWLEY *Director and Secretary*				
			£652,542	£211,391

Electromatic owns 51 per cent of the issued share capital of E.M. Central Heating Ltd, recently incorporated to develop domestic heating and which purchases its appliances from Rolls.

Interim accounts of Rolls and Electromatic, it is stated, have been prepared for nine months to September 30th, 1961, showing a net profit after depreciation, of approximately £280,000, achieved on washing machine sales averaging 1,100 a week for the first quarter, 1,300 for the second and 1,400 for the third. Sales are now running at 1,700 a week with an outside sales force of 170. With the submission of the 1961 accounts, application will be made as soon as practicable for re-grant of share quotation.

Shares for Employees

CURRENT interest in shares for employees justifies the inclusion in this column of the broad lines of a scheme being introduced from the beginning of this new year by Campbell's Soups Ltd. The company is the first overseas operation of the Campbell Soup Co of America, 'the largest maker of soups in the world'. It began operations at King's Lynn in 1959.

The scheme is a voluntary one which provides a means for employees to save up to 10 per cent of earnings. For every £1 of the first 5 per cent, the company adds 8*s* which is invested in the parent company's stock. Employees, each "plan year", can decide on the same investment for their own contribution or choose one of two British Government securities selected by bank trustees to whom is turned over for investment the employees' and the company's contributions.

Partial withdrawal of both contributions is permitted, the employees are told, 'from your account for any "plan year" that ended at least three years before.' Total withdrawal at current value is permitted subject to forfeiture of the company's portion and related earnings for the two previous years. Employees who leave the company withdraw in full either the British Government or the Campbell Soups stock. But, they are warned, stock-market prices fluctuate. 'The company does not guarantee the value of your investments.'

Answering Questions

On taxation, employees are told that their own and the company's contributions will be subject to income tax 'but, says the company, as you have no vested right to receive the company's contributions until the expiration of twenty-four months after the date each contribution is made, the Inland Revenue has ruled that the company's contributions do not constitute taxable income to you until the end of that period'. The assessment, therefore, in 'year three' is on the value of the company's contribution of 'year one', value being determined according to the dollar market value of Campbell stock during the tax year in question on the New York Stock Exchange converted into sterling at the rate of exchange applicable to reinvestment dollars.

'The Personnel Department will be glad to answer any additional questions you may want to ask', the company helpfully tells its workers – and it would not

ROLLS RAZOR LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1960

	£	£	1959 £	1959 £
TRADING LOSS after charging the following items		223,322		*35,306*
DEPRECIATION OF FIXED ASSETS	21,466		*13,886*	
Amount written off Patents and Trade Marks	—		*4,500*	
PROVISION FOR SERVICING UNDER GUARANTEE ..	25,000		—	
DIRECTORS' REMUNERATION				
Fees	37		*500*	
Other Emoluments ..	7,865		*7,470*	
AUDITORS' REMUNERATION	1,260		*420*	
Deduct: Surplus on Sales of Showroom Lease and Sportsground		—		*11,962*
		223,322		*23,344*
ADD: Bank and Loan Interest Payable		8,587		*4,041*
Provision for loss of Subsidiary		252		*4,214*
NET LOSS FOR THE YEAR		232,161		*31,599*
ADVERSE BALANCE BROUGHT FORWARD ..		146,140		*114,541*
		378,301		*146,140*
Deduct: TRANSFER FROM CAPITAL RESERVE		146,140		—
ADVERSE BALANCE CARRIED FORWARD ..		£232,161		*£146,140*

NOTES ON ACCOUNTS

1. INTEREST IN WHOLLY-OWNED SUBSIDIARIES

The active Subsidiary ceased to trade in May 1959, and the Directors consider that, in view of the insignificant amounts involved in accounts of the Subsidiaries, group accounts would be of no real value to Members of the Company.

Expenses incurred by the Subsidiaries in 1960 amounted to £252; in the accounts of the Holding Company a corresponding amount has been written off the Interest in Subsidiaries, which, at 31st December, 1960, was represented by a Bank Balance of £884.

2. OPTION TO ACQUIRE ELECTROMATIC WASHING MACHINE CO., LTD.

At 31st December, 1960, the Company held an option to acquire the whole of the issued share capital of Electromatic Washing Machine Co., Ltd., for an amount not exceeding £100,000 to be satisfied by the issue, at par, of fully paid Deferred Shares of Rolls Razor Ltd.

GENTLEMEN,

Re: ELECTROMATIC WASHING MACHINE CO., LIMITED.

We have examined the books and audited Accounts of Electromatic Washing Machine Co.,'Limited (previously known as Continental Washing Machine Co., Limited) for the year since the date of its incorporation to 4th August, 1959, and for the period of one year and twenty-one weeks to 31st December, 1960, and report as follows:—

1. The profits of Electromatic Washing Machine Co., Limited, arrived at as on the basis stated below, were as follows:—

	Profits before Taxation (as defined below)
	£
Year ended 4th August, 1959	2,887
Period ended 31st December, 1960 (One year and twenty-one weeks)	135,952
	£138,839

The profits set out above are stated before deducting taxation, but after charging all expenses of working and management including depreciation, amortisation, Directors' emoluments and interest and after making such adjustments as we consider appropriate.

The aggregate emoluments of the Directors of Electromatic Washing Machine Co., Limited for the year ended 4th August, 1959, were £9,246, and for the period ended 31st December, 1960 (one year and twenty-one weeks) were £3,131. On the basis of the arrangements now in force, the emoluments in a full year would amount to £10,250, of which £7,500 has been waived in the year ending 31st December, 1961.

2. The Net Tangible Assets of the Company based on the audited Balance Sheet as at 31st December, 1960, were as follows:—

	Cost	*Depreciation to date*	
FIXED ASSETS—	£	£	£
Leasehold Property	4,750	651	4,099
Plant, Machinery, Fixtures and Fittings, Equipment and Motor Vehicles	203,269	44,089	159,180
Trade Marks and Development Costs	247	61	186
Motor Vessel	10,085	924	9,161
	£218,351	£45,725	172,626
Less: Outstanding Hire Purchase Commitments			72,840
			£99,786
Add: CURRENT ASSETS—			
Stocks as valued by the Managing Director		102,040	
Trade Debtors and Expenses Prepaid		185,669	
Balances at Bankers and Cash in Hand		7,385	
			295,094
			394,880
Less: CURRENT LIABILITIES—			
Trade Creditors and Accrued Charges		186,183	
Bank Overdrafts		69,292	
Taxation to 31st December, 1960		31,002	
			286,477
			108,403

	£
NET TANGIBLE ASSETS calculated in accordance with the Option Agreement	108,403
Less: Balance of Income Tax 1960/61 and amount set aside towards future Income Tax 1961/62, being Income Tax based on the profits for the period 5th August, 1959 to 31st December, 1960	26,097
NET TANGIBLE ASSETS after deduction of amount set aside towards balance of Income Tax 1960/61 and future Income Tax 1961/62	£82,306
Representing:—	
ISSUED SHARE CAPITAL—	
100 Shares of £1 each fully paid	£100
Capital Reserve	446
Profit and Loss Account	81,740
	£82,306

NOTES: 1. There is a Contingent Liability in respect of Machines sold on hire purchase amounting to £1,068,162 0s. 6d. However, the Board is of the opinion that the value of machines that would have to be taken back under these circumstances would exceed any liability.

2. There are four indemnities to British Railways Executive totalling £2,624.

3. There are Contingent Liabilities in respect of Documentary credits totalling £18,750.

3. No dividends have been paid or proposed in respect of the period from 5th August, 1958 to 31st December, 1960.

4. Audited Accounts have not been made up for submission to the Members of the Company for any period subsequent to 31st December, 1960.

Re: E. M. CENTRAL HEATING CO., LIMITED.

This Company was incorporated on 26th June, 1961.

The authorised and issued Share Capital of the Company is £1,000 divided into 1,000 Ordinary Shares of £1 each, fully paid.

Electromatic Washing Machine Co., Limited acquired by allotment for cash at par 510 Ordinary Shares of £1 each.

1. No dividends have been declared in respect of the period from the date of incorporation to date.

2. No audited Accounts have yet been prepared in respect of this Company.

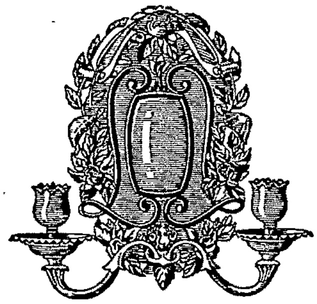
Yours faithfully,

GERALD EDELMAN & COMPANY,

Chartered Accountants.

be surprising if the department is kept busy, for while the scheme is basically simple, it involves quite a deal of 'know-how' on the subject of dollar investments. From that angle alone, it is worth the study of those who read this column apart from the general interest in any stock-investment plan for employees. We understand a limited number of copies of the plan are available from the company's public relations division at 40 Berkeley Square, London W1.

One point in the scheme is somewhat puzzling. Why British Government securities? This question is not a criticism, but some might think a form of unit-trust investment would more appropriately fit the circumstances.



THE ACCOUNTANT

ANNUAL AWARDS for 1962

Selection of this year's winners of *The Accountant* Annual Awards for company reports and accounts has been started by the Panel of Judges, under the chairmanship of Mr K. W. Mackinnon, M.B.E., T.D., Q.C., but companies still have until *January 31st* to submit their reports and accounts presented at annual meetings held in 1961.

Entries should be addressed to The Secretary, *The Accountant* Annual Awards, 151 Strand, London WC2. The only condition of entry is quotation on a recognized United Kingdom stock exchange.

A new member of the Panel this year is Mr J. E. Harris, B.COM., F.A.C.C.A., Immediate Past President and a member of the Council of The Association of Certified and Corporate Accountants, and managing director of Sogenique (Service) Ltd, who fills the vacancy caused by the retirement from the Panel of Lord Latham, J.P., F.A.C.C.A. The other members are: Mr A. S. H. Dicker, M.B.E., F.C.A., Mr C. D. Gairdner, C.A., Mr A. W. Giles, M.B.E., M.A., C.A., Mr Donald V. House, F.C.A., Mr J. A. Hunter, M.B.E., T.D., Mr Ian T. Morrow, C.A., F.C.W.A., Sir Richard Yeabsley, C.B.E., F.C.A., and Mr Arthur E. Webb, Editor of *The Accountant*.

The Lord Mayor of London, Alderman Sir Frederick Hoare, has kindly consented to present the Awards at the Mansion House on May 29th.

CITY NOTES

TIMING of the easing of last July's restrictions bids to be the most crucial decision of 1962. There is evidence in industry that order books are not so full as they were and that production is being adversely affected.

Restriction is always more easily accomplished than the consequent re-expansion. The time lag between easing of credit restrictions and their effect on trading can be dangerously long.

The danger is that in its preoccupation with its 'pay pause' policy, the Government may be inclined to maintain the July restrictions for too long.

A higher level of production is essential if export competition is to be met. And it must be met if exports are to be increased and the balance of payments position improved.

Little assistance in the latter respect can be expected from improved 'invisible' earnings. The Bank of England has described the immediate invisible earnings outlook as discouraging. The only real prospect of reduction in Government overseas expenditure is through assistance in meeting the cost of forces in Western Europe.

RATES AND PRICES

Closing prices, Wednesday, January 3rd, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Oct. 27	£5 14s 6·57*d*%	Dec. 1	£5 7s 1·08*d*%
Nov. 3	£5 8s 6·10*d*%	Dec. 8	£5 6s 5·34*d*%
Nov. 10	£5 8s 5·49*d*%	Dec. 15	£5 6s 4·83*d*%
Nov. 17	£5 7s 9·71*d*%	Dec. 22	£5 7s 3·18*d*%
Nov. 24	£5 7s 9·40*d*%	Dec. 29	£5 8s 0·72*d*%

Money Rates

Day to day	4⅜–5½%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5⅝–5 11/16%
Fine Trade Bills		3 months	5⅝–5 11/16%
3 months	6¾–7½%	4 months	5⅝–5 11/16%
4 months	6¾–7½%	6 months	5⅝–5¾%
6 months	7–8%		

Foreign Exchanges

New York	2·80⅞–·81	Frankfurt	11·22⅝–⅞
Montreal	2·93⅛–⅜	Milan	1743–½
Amsterdam	10·12–¼	Oslo	20·02–¼
Brussels	139·84¼–¾	Paris	13·76½–¾
Copenhagen	19·31¼–½	Zürich	12·13⅝–⅞

Gilt-edged

Consols 4%	58¼xd	Funding 3% 59–69	82⅝
Consols 2½%	38⅛	Savings 3% 60–70	79⅝
Conv'sion 5¼% 1974	92⅛	Savings 3% 65–75	71⅝
Conversion 5% 1971	90⅝	Savings 2½% 64–67	85
Conversion 3½% 1969	85 13/16	Treasury 5½% 2008–12	85
Conversion 3½%	52 5/16	Treasury 5% 86–89	82 7/16
Exchequer 5½% 1966	98 1/16	Treasury 3½% 77–80	69 7/16
Funding 5½% 82–84	90 3/16	Treasury 3½% 79–81	69½
Funding 4% 60–90	88 13/16	Treasury 2½%	38 1/16
Funding 3½% 99–04	56 15/16	Victory 4%	93⅛
Funding 3% 66–68	83¼xd	War Loan 3½%	52 1/16

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Hong Kong Commissioners of Inland Revenue *v.* Four Seas Co Ltd

In the Privy Council – November 27th, 1961

(Before Lord DENNING, Lord DEVLIN and THE RIGHT HONOURABLE L. M. D. DE SILVA)

Corporation profits tax – Assessments on partnership – Losses made by partner trading separately – Whether losses can be set off against partnership profits – Hongkong Inland Revenue Ordinance, sections 2, 14, 15, 19, 22, 42.

The respondent carried on business as an importer and exporter on its own account; and during 1954 and 1955 it also traded in partnership with another company. The partnership made a profit of 49,885 dollars in 1954 and 73,618 dollars in 1955, and these profits were shared by the two partners equally. During the same two years the respondent made losses on its sole trading, and during the two previous years it had also made losses which were available for set-off against future profits.

Assessments were made on the partnership for the years of assessment 1955–56 and 1956–57, and the respondent contended that it was entitled to set off against the amount of tax due from it in respect of the partnership trading the losses it had made in trading on its own account.

Held: in the case of partnership trading the person assessed was the partnership; and that as the partnership was not the person that had incurred the losses, they could not be set against the assessments made on the partnership.

C.I.R. *v.* Ridge Nominees Ltd

In the Court of Appeal – November 9th, 1961

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice DONOVAN and Lord Justice DANCKWERTS)

Stamp duty – Sale of stock in company – Transfer deed by accepting stockholder – Transfer deed of dissentient stockholder – Whether transfers on sale – Stamp Act, 1891, section 54 – Finance Act, 1895, sections 1, 12 – Companies Act, 1948, section 209.

On November 14th, 1958, an offer was made by Ridge Securities Ltd (Ridge) to the stockholders of Gresham Trust Ltd (Gresham) for the purchase of their stock units in Gresham. The offer was conditional till December 4th, 1958 (or till such later date, not being beyond December 16th, 1958, as Ridge might stipulate), on the acceptance of the offer by the holders of 90 per cent of Gresham's issued capital or such smaller percentage as Ridge might, on or before December 30th, 1958, elect. Acceptance was to be by the signing of a form which, together with deeds of transfer of the stock, was to be forwarded to a stated address. The transfer deeds were to be in favour of the respondent. The offer became unconditional on December 12th, 1958.

Two of the stockholders in Gresham, who had accepted the offer and had signed the acceptance form and had executed transfer deeds of their stock to the respondent, did so before December 12th, 1958. Another stockholder declined to accept the offer, and her shares were acquired by the respondent under section 209 of the Companies Act, 1948. In pursuance of section 209 (3) a transfer on her behalf was made by a person appointed by the respondent.

It was contended on behalf of the respondent that the transfer deeds of the shares acquired while the offer was still conditional, and of the shares acquired under section 209 of the Companies Act, 1948, were not transfers on sale and should be stamped 10*s*. It was contended on behalf of the appellants that both classes of transfer deeds were stampable *ad valorem*.

Held (reversing the decision of Mr Justice Buckley on this point only): the transfer deeds of the shares acquired pursuant to section 209 of the Companies Act, 1948, were transfers on sale, and were stampable *ad valorem*. There was no appeal as to the other transfer deeds.

C.I.R. *v.* Henty & Constable (Brewers) Ltd

In the Court of Appeal – November 16th, 1961

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice DONOVAN and Lord Justice DANCKWERTS)

Stamp duty – Sale of shares in company – Liquidation of company – Direction to liquidator to transfer assets to vendors of the shares – Conveyance by company and liquidator of other assets to purchaser – Whether a conveyance on sale – Stamp Act, 1891, section 54 – Law of Property Act, 1925, section 53 (1) (c).

On April 17th, 1921, all the shareholders in a company (Constable) agreed with another company (Henty) for the sale to Henty of their shares in Constable. The consideration was to be satisfied by the allotment of fully paid-up shares in Henty. Completion was to take place on April 25th, 1921, and after completion Constable was to be wound up. By clause 6 of the agreement it was declared (in effect) that the consideration for the shares was arrived at without taking into account the value of the unlicensed premises of Constable, and it was agreed that Henty, before completion of the sale of the shares, should give an irrevocable authority for those premises to be made over to the vendors or their nominees, free from the mortgages on them, and with the income less outgoings as from April 1st, 1920. Henty was to be entitled to all dividends on the sold shares as from the same date.

On April 25th, 1921, at a meeting of the directors

of Henty, it was resolved that the completion of the sale should be carried out forthwith; and that as certificates and transfer deeds of the shares in Constable had been received with forms of authority signed by the shareholders as to the distribution of Constable's assets, 81,255 shares of £1 each in Henty should be issued to the vendors. On December 31st, 1921, a deed of conveyance between Constable and its liquidator of the one part and Henty of the other part was executed. It recited that Constable was seized of (in effect) its licensed premises and that Constable had been put into liquidation, and that its shareholders had delivered to the liquidator the authorities aforesaid; and the operative part of the deed of conveyance was:

'Now this indenture witnesseth that in consideration of the premises the Constable company as beneficial owner acting by the said William Beldam as the liquidator thereof hereby grants and conveys . . .'

the freehold licensed premises to Henty. The leasehold licensed premises were also assigned. The deed was stamped 10*s*.

The appellants contended that the conveyance of December 31st, 1921, was a conveyance on sale; and that *ad valorem* duty in the amount of £985 was payable thereon. It was contended on behalf of the respondent that on April 25th, 1921, it had discharged all its obligations under the agreement for sale, and was, when Constable had been put into liquidation, entitled to all the assets of that company distributable in the liquidation; and that the conveyance was by a liquidator to the person who had become entitled to the assets in question.

Held (affirming the judgment of Mr Justice Buckley): the conveyance was not a conveyance on sale, but was a conveyance by a liquidator to the persons entitled in the liquidation; and that the proper amount of stamp duty was 10*s*.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Company Profits and Dividends

SIR, – With reference to the article by Mr A. Dale on comparative taxation as applied to company profits and dividends which you published in your issue of December 16th, the machinery of our own and other countries' systems was, I thought, most admirably summarized. However, I would criticize the author in one respect.

In putting forward a case for the abolition of our own profits tax he mentions that the amount of revenue which the Government would lose from the discontinuance of this source could be more justly recouped by imposing a general sales tax on non-essential goods. Presumably, among his reasons for suggesting such an action are that:

(1) the consumer of essential goods would benefit generally in that the volume of company taxation, which he is currently called upon to bear in the form of high prices, would be reduced;
(2) the introduction of an internal indirect tax would not affect export sales prices and would, therefore, encourage and increase the volume of our export trade; and
(3) by abolishing profits tax, the companies themselves and their shareholders would benefit in the form of reduced taxation and consequently higher profits.

Under the present-day reluctance to reduce prices in ideal trading conditions, but rather to plough back profits into the business with a view to consolidation and expansion, to hope that the abolition of profits tax would see price reductions in the range of luxury or essential goods is, to my mind, rather wishful thinking unless some form of Government price control were simultaneously established.

Also, the consumer who is not blessed with the good fortune of being a shareholder would be asked to bear an even heavier burden.

No sir! As an unfortunate consumer, both of essential and luxury goods, who is mindful of the old axiom that 'charity begins at home' I do not agree with Mr Dale's suggestion. The profits tax, although it might act as a general sales tax on all goods and services, is fair in that it does 'go where the money is' and ensures that its incidence is equitably spread over consumers both at home and abroad.

If a greater share of the export market is to be acquired by us, as it inevitably must if we are to survive in the Common Market, then surely a 'carrot' in the form of an export tax rebate scheme is the answer, and not, as Mr Dale suggests, the transfer of the existing load to a specific class of the internal consumer.

Yours faithfully,

Tadworth, Surrey. N. A. WRIGHT.

Union of Chartered Accountant Students' Societies' Conference

SIR, – Some comment is required on the report of the Union of Chartered Accountant Students' Societies' annual conference which appeared in your issue of December 16th. The proposals referred to in the fourth paragraph were made by the Leeds

Society, and we feel that the report misrepresents both the proposals and the feeling of the conference towards them. The suggestions are not designed to reduce practical experience as such, but to enable the profession to take advantage of the recent great advances in the technique of full-time education.

(1) The report states that strong views were expressed against the proposals, as is true of any controversial ideas. It should, however, be understood that still more delegates spoke in their support.

It is also stated in this paragraph that we seek to increase the academic element of training, and then goes on to say that this would probably result in the deterioration of the academic standard. It is generally acknowledged that full-time education is the most effective and thorough method of gaining knowledge.

(2) The report states the 'purpose of (these suggestions) was to reduce the practical experience required for membership and to increase the academic element of training'. This interpretation is misleading. In fact the proposals are designed to:

(i) improve the methods of theoretical training, by two years' full-time education at an accountancy college;

(ii) enable the knowledge thus gained to be used much more effectively and rapidly by the articled clerk in gaining practical experience and in serving his principal;

(iii) give the articled clerk a broader education, allowing him to fulfil the increasing demands of his clients.

Yours faithfully,
W. H. J. MORDY, *Hon. Secretary*,
Leeds. THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LEEDS.

[Following our correspondent's letter, the report has been carefully checked with the record made during the conference. It is quite clear that the effect of the terms of the proposals brought before the conference and the nature of the reception they were given, were in fact as set out in the report. Whatever may have been the wishes and hopes of the promotors, it is felt that the report gives a true and fair view of what actually happened at the conference. – Editor.]

Graduated Pension Scheme

SIR, – Employers who are in the habit of giving annual bonuses to their staff at this time of year will have observed that certain employees have to pay contributions for graduated pensions in respect of these bonuses. Unless employees are receiving sufficient pay to make them regular contributors, they will receive no benefit from these contributions and neither from the employers' part. Regulation 10 (3) of S.I. 1960 No. 921 tries to regularize this anomaly by permitting the formation of trust funds for the benefit of employees with the purpose of avoiding graduated pension contributions provided that not more than two annual bonuses are payable to employees.

Can readers advise on the operation of such trust funds:

(1) Are the payments to the trustees an allowable expense in the employers' Schedule D assessment?
(2) Are paymnets to the employees subject to P.A.Y.E.?
(3) Does tax at standard rate have to be deducted from these payments? or
(4) Are these payments unearned income in the hands of the employees?

Yours faithfully,
COMMERCIAL.

Mining Company's Problems

SIR, – May I invite the comments of your readers on the following points which I met recently in actual practice?

(1) A mining company has acquired by way of gift from one of its main shareholders a substantial holding in the share capital of another company thus turning that other company into a subsidiary of the mining company. The directors have recorded the shares gifted to the company at their market value crediting a like sum to capital reserve. Is this the right procedure or is there any better solution to this problem?
(2) The same mining company uses the following method of treating losses on the sale of any of its fixed assets:

On the sale and ascertainment of the resultant loss no transfer is being made to profit and loss account but such loss remains as part of the remaining assets of the company. Is this a correct way, in the case of mining companies, of treating losses realized on the sale of any of their fixed assets?

Yours faithfully,
A.A.C.C.A.

Thoughts on our Present Discontents

SIR, – Mr Alun Grier Davies's article in *The Accountant* of December 23rd is remarkably explicit and thereby a clear exposition of an iniquitous system imbued with anomaly so deep, penetrating and involved as to perplex the layman, and doubtless some members of the profession too! It is equally an analysis born of sincerity and conviction, and a positive directive to those who will read and study its purport and intention – the sober reflection of how long overdue is tax reform in this country. I like Mr Davies's apparent witticism when quoting:

> 'that the incidence of investment allowances on such profits as those of shipping companies must make even the Revenue wonder whether, when they repay tax which has not been paid and never will be paid, they are sacrificing common sense to the *continuance of an ancient shibboleth*' (my italics).

That could be singularly true of the entire fiscal system of the United Kingdom.

It is also a gem of thought and reasoning for Mr Davies to say that our fiscal system is almost as ludicrous as the position in Japan where so many complications had been built in the social and economic life of that country that Japanese

> 'business men need to devote most of their time and energy to unwinding those bonds which enfold them like so many *mummies*' (my italics).

One must agree that there is no particular virtue in blaming the Revenue for the idiosyncracies current in our system at the close of the year 1961, and that most likely the officials who have to perpetrate and unravel the intangibleness are often mindful of how wide is the scope for simplification to make their own task less onerous and misunderstood.

Far too frequently is it being said that the legislative process of our laws, and taxation, are so antiquated as to be reminiscent of medieval England; this is to our discredit; but are we likely to look elsewhere for a lead – to a similar type set-up as the Canadian Tax Foundation – to examine all the major tax anomalies and to suggest remedies?

Alun Grier Davies is obviously a staunch supporter of Harold Wincott who writes so splendidly and convincingly in *The Financial News*; for both quote without fear or favour

> 'It is pitifully clear that the Government draftsmen and the Inland Revenue between them are about as capable of putting together a Finance Bill of this character as the average jobbing builder is of building a nuclear reactor.'

(That was said during the public outcry on the Finance Bill last year.)

Come, gentlemen all, we need taxation reform *now* to help all manufacturers to be on equal terms with competing countries when embarking in a free trade system under the Common Market.

Yours faithfully,
FRANCIS B. WILLMOTT.

Birmingham.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Dublin on Thursday, December 21st, 1961.

Attendance

The President, Mr A. E. Dawson, was in the chair, and there were also present:

Messrs R. E. McClure, *Vice-President*, G. A. P. Bryan, G. E. Cameron, Frank Cleland, M. M. Connor, J. F. Dempsey, James Graham, N. V. Hogan, John Love, R. J. Neely, W. H. O'Donnell, R. P. F. Olden, H. W. Robinson, James Walker and D. McC. Watson, with the *Secretary* and *Assistant Secretary* and the *Joint Secretary and Treasurer.*

Apologies for absence were submitted from Messrs John Bacon and A. S. Boyd.

Deaths

The deaths of the following members were reported and noted with regret:

William Duffield, F.C.A. (Belfast), joint auditor to the Institute since 1956; T. P. K. Gaffney, A.C.A. (Dublin).

Fellowship

Patrick Thomas McGilligan, A.C.A., Dublin, was elected a Fellow of the Institute with effect from January 1st, 1962.

Practice

Cormac James O'Rourke, A.C.A., Dublin, was admitted to practice with effect from January 1st, 1962.

Membership

The following candidates, who were successful in Part V of the Institute examination held in October 1961, and in Final examinations held during the year under the syllabus of The Society of Incorporated Accountants were admitted to membership as associates not in practice:

Ardill, Albert Eric (Dublin); Daly, James Terence (Dundalk); Hyland, John Jeremiah (Cork); McConnell, Kenneth Somers (Dublin); Phelan, Thomas Patrick (Dublin); Roe, William Arthur (Waterford).

Applications from two former members for readmission to Institute membership were granted.

Articles of Clerkship

Approval was given to an application for reduction in the period of service under articles on the grounds of age and service.

Committees

Reports were received from the following committees: Finance and General Purposes; Education and Training; Parliamentary and Law; Policy; Premises and Taxation.

Congress of European Accountants 1963

A report was received from the President on a meeting of representatives of European accountancy bodies held in Glasgow on November 28th, 1961, at which it was decided to hold a Congress of European Accountants in Edinburgh in September 1963.

For Students

TAXATION

Deductions for Surtax

UNTIL quite recently, it was a long-standing grievance on the part of the surtax payer that in computing the liability to surtax no deduction from income was allowed in respect of the various reliefs granted for the purposes of income tax. This grievance was partially removed by Section 14 of the Finance Act, 1957, which allowed the personal relief (to the extent that it exceeds that applicable to an unmarried taxpayer), the reliefs for children, housekeeper, dependent relatives and similar reliefs, to be deducted from income in charging surtax. The deductions permitted by this section did not, however, include any relief in respect of earned income, despite strong and persistent representations that the existing high taxation of individual earnings operates as a disincentive to personal effort, which cannot fail to have a deleterious effect on productivity and the national economy.

These representations have now borne fruit and surtax relief for earned incomes has been given, on what is regarded in some quarters as an over-generous scale, by the Finance Act, 1961. It is enacted by Section 14 of that Act, that in respect of the year 1961–62 or any subsequent year, for the purpose of charging surtax there shall be deducted from an individual's income:

(*a*) the earned income relief given for the purposes of income tax (2/9ths of the first £4,005 and 1/9th of the next £5,940, and

(*b*) if the net amount of the earned income, after deducting the above-mentioned earned income relief, exceeds £2,000, the amount of such excess, or £2,000 if less.

The effect of these deductions is to exempt from liability to surtax earned incomes up to £5,000, as is shown by the following illustration.

	£	£
Total income (all earned)		5,000
Deduct: Earned Income Relief		
2/9ths × £4,005	890	
1/9th × £995	111	
		1,001
Net earned income		3,999
Deduct: Excess of £3,999 over £2,000		1,999
		£2,000

Since surtax is only chargeable on incomes in excess of £2,000 there is no liability.

TABLE A

			Total	*Apportioned between* Husband	Wife
			£	£	£
Earned Income			5,750	5,000	750
Deduct: (*a*) 2/9ths × £4,005	£890				
1/9th × £1,745	194				
	1,084				
(*b*) Lower of excess of £5,750 *Less*	1,084				
	4,666				
Over	2,000				
	£2,666				
and	£2,000				
	2,000	3,084		500/575 2,682	75/575 402
		2,666		2,318	348
Unearned Income		534		82	452
		3,200		2,400	800
Deduct Reliefs					
Personal	£100			£	
Child	100			24/32 150	8/32 50
	200				
Dependent Relative	75	275		75 225	
		£2,925		£2,175	£750
Chargeable:					
£2,000		Nil			
500 at 2*s* 0*d*		50 0 0			
425 at 2*s* 6*d*		53 2 6			
		£103 2 6		2,175/2,925 £76 13 8	750/2,925 £26 8 10

Where, however, part of the total income is unearned, a liability for surtax may arise, even though the earned income is less than £5,000, as shown below:

Married man with one child under eleven.

Earned Income		£3,300
Deduct: 2/9ths × £3,000		667
		2,633
Excess of £2,633 over £2,000		333
		2,300
Unearned Income		300
		2,300
Deduct: Reliefs		
Personal £(240 — 140)	£100	
Child	100	300
		£2,300
Chargeable: £2,000		Nil
500 at 2*s* 0*d*		£50 0 0
100 at 2*s* 6*d*		12 10 0
		£62 10 0

A British subject who is not resident in the United Kingdom, but is entitled to claim a proportion of personal etc. reliefs under Section 227 of the Income Tax Act, 1952, may claim a similar proportion of the relief given under (*a*) and (*b*) above.

Where a husband and wife claim to be assessed separately to surtax, the aggregate deduction under (*a*) and (*b*) is to be apportioned between them in proportion to their respective earned income. The deductions for personal etc. reliefs granted by Section 14 of the Finance Act, 1957, are then to be apportioned between husband and wife in the ratio of their respective total incomes as reduced by the deductions for earned income under (*a*) and (*b*) above.

Illustration

Married man with one child aged 10. Husband pays £200 premium on life policy for £5,000, and supports his widowed mother, who has no income.

It will be observed from Table A on the preceding page that no deduction is allowed in charging surtax for the wife's earned income allowance of £140 (or 7/9ths of the wife's earned income if lower) or for life insurance premiums.

The income tax computation in Table B below contrasts the allowable deductions and the methods of apportionment thereof between husband and wife, from those applicable to surtax.

TABLE B

			Total	*Apportioned between*						
				Husband				*Wife*		
Earned Income			£5,750	£5,000				£750		
Unearned Income			534	82				452		
			6,284							
Deduct Earned Income Relief			1,084	500/575	5,082			75/575	1,202	
					942				142	
			5,200		4,140				1,060	
Deduct Reliefs	£									
Personal	240									
Child	100									
Wife's Earned Income	140			414/520	£382			106/520	98	
	480									
Dependent Relative	75				75					
Life Assurance: 2/5ths × £200	80		635		80		537			
			£4,565				£3,603			£962
Chargeable:										
At reduced rates	£720		168 0 0	414/520	= £573		133 15 1	106/520	= £147	34 4 11
At 7*s* 9*d* in £	3,845		1,489 18 9		3,030		1,174 2 6		815	315 16 3
	£4,565		£1,657 18 9		£3,603		£1,307 17 7		£962	£350 1 2
Restriction of wife's liability						+	26 3 11			— 26 3 11
							£1,334 1 6			£323 17 3

The wife's liability to income tax is limited as follows:

Wife's earned income			£750
Deduct Reliefs:			
Earned income — 1/9 × £750	£83		
Wife's earned income	140		
		223	
		527	
Wife's unearned income		452	
Total income		£979	
Chargeable:			
£360 at reduced rates		£84 0 0	
£619 at standard rate		239 17 3	
Wife's maximum liability to income tax		£323 17 3	

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXLV: July–December 1961

The general index to Vol. CXLV – July to December 1961 – is published with the present issue. The parts of this volume, with the index, can now be sent for binding.

PROFESSIONAL NOTICES

MESSRS ALEXANDER SLOAN & Co, Chartered Accountants, of 142 St Vincent Street, Glasgow C2, announce that Mr WILLIAM INGLEBY, C.A., retired from the firm on December 31st, 1961, to take up a commercial appointment, and that they have assumed Mr JOHN WILLOUGHBY, C.A., as a partner, as from January 1st, 1962. Mr WILLOUGHBY served his apprenticeship with the firm which he is rejoining after a period in commerce.

MESSRS ARTHUR ANDERSEN & Co announce the moving of their London office as from January 8th, 1962, to St Alphage House, Fore Street, London EC2. Telephone: National 9711.

MESSRS BINDER, HAMLYN & Co, Chartered Accountants, of 121 Queen Victoria Street, London EC4, announce that on January 1st, 1962, they admitted into partnership Mr T. C. FRANKLAND, A.C.A., and Mr J. T. S. BOWER, A.C.A., both of whom served their articles with the firm and have since been members of the staff. They also announce that Mr K. M. B. WRIGHT, A.C.A., who was a member of their staff in London for some years after serving his articles with the firm, is now resident in Sydney and was admitted as a partner in their Australian firm on January 1st, 1962.

Mr C. L. HAMER, F.C.A., practising as CHARLES HAMER & Co, at 107 Grange Road, Middlesbrough, and Commercial Row, Stokesley, announces that Mr R. L. WADE, A.C.A., who served articles with him, becomes a partner as from January 6th, 1962. The firm name remains unchanged.

MESSRS C. NEVILLE RUSSELL & Co, Chartered Accountants, of 11 Poultry, London EC2, announce that as from January 1st, 1962, Mr P. L. HARDEN, B.SC.(ECON.), A.C.A., and Mr G. R. NORDEN, A.C.A., have been admitted as partners. The name of the firm will remain unchanged.

MESSRS DERBYSHIRE & Co, Chartered Accountants, of Bentinck Buildings, Wheeler Gate, Nottingham, announce that they have admitted Mr ALFRED MASTERS, A.C.A., into partnership as from January 1st, 1962. The name of the firm remains unchanged.

MESSRS F. ARTHUR PITT & Co, WOMERSLEY & TWEEDALE and GREENHALGH, SON & DUTTON, Chartered Accountants, of 14 John Dalton Street, Manchester 2, and 20 Acresfield, Bolton, announce the retirement of their senior partner Mr SYDNEY BARLOW, M.B.E., F.C.A., as from December 31st, 1961. Mr BARLOW will be available to the firms after his retirement in a consultative capacity in connection with the affairs of their clients.

MESSRS FINCHAM, VALLANCE & Co, Chartered Accountants of 3 & 4 Clement's Inn, Strand, London WC2, announce that as from January 1st, 1962, Mr GEOFFREY JOHN PARR, A.C.A., who has been a member of their staff for some years, has been admitted into partnership. The style of the firm will remain unchanged and the practice will be carried on at the same address by MESSRS ARTHUR D. FINCHAM, F.C.A., JAMES P. VALLANCE, F.C.A., IAN D. VALLANCE, A.C.A., PETER G. ROBERTS, A.C.A., and GEOFFREY J. PARR, A.C.A.

MESSRS HARVEY PREEN & Co, Chartered Accountants, of Lawrence House, 3 Trump Street, London EC2, announce that as from January 1st, 1962, Mr R. D. BARRETT, A.C.A., and Mr F. W. TUNBRIDGE, A.C.A., who have been members of their staff for some years, have been admitted to partnership. Mr BARRETT will practise from the Yeovil office and Mr TUNBRIDGE from the Birmingham office.

Mr H. A. SMITH, F.C.A., practising as RADLEY, SMITH & Co, Chartered Accountants, of Devonshire House, Great Charles Street, Birmingham 3, announces that as from January 1st, 1962, he has taken Mr M. S. THORNTON, F.C.A., into partnership. The name of the firm will be unchanged.

MESSRS JOHN GORDON, HARRISON, TAYLOR & Co, Chartered Accountants, of 7 Bond Place, Leeds 1, announce that Mr LESLIE TEMPEST, F.C.A., retired from the partnership on December 31st, 1961, owing to ill health, after forty years' association with the firm. Mr PAUL DUNCAN TAYLOR, A.C.A., who served his articles with the firm, and who is the son of the senior partner, has been taken into partnership with effect from January 1st, 1962.

MESSRS MCCLELLAND, MOORES & Co, Chartered Accountants, Glasgow, announce that Mr J. E. BOYD, C.A., retired from the partnership on December 31st, 1961, to take up a full-time appointment with the Lithgow group of companies. Mr IAN H. OGLE, C.A., has been assumed as a partner as from January 1st, 1962.

MESSRS M. SPENCER ELL & Co, Chartered Accountants, of 81 Bell Street, Henley-on-Thames, and 1 Honey Lane, Cheapside, London EC2, announce that as from January 1st, 1962, they have taken into partnership Mr JACK WYATT, F.C.A., who has been on their staff since 1953. The practice will continue to be carried on in the name of M. SPENCER ELL & Co.

MR E. J. NETTLE, F.C.A., who has hitherto practised as E. H. SHERREY & Co, Chartered Accountants, at 8 Newhall Street, Birmingham 3, announces that he is discontinuing the use of this name and that as from January 1st, 1962, is entering into partnership with Mr C. S. SHAW, F.C.A. The new firm will practise under the name of E. J. NETTLE & Co, Chartered Accountants, at 36 Bennett's Hill, Birmingham 2.

MR C. S. SHAW, F.C.A., announces that as from January 1st, 1962, he will practise as NETTLE, SHAW & Co, Chartered Accountants, at 36 Bennett's Hill, Birmingham 2, to which firm Mr E. J. NETTLE, F.C.A., will act as consultant.

MESSRS PANNELL, CREWDSON & HARDY, Chartered Accountants, of 9 Basinghall Street, London EC2, announce that as from January 1st, 1962, they have

admitted to partnership in the London firm Mr CECIL HEATHER, F.C.A., and Mr RICHARD HUGH MORCOM, F.C.A., both of whom have been members of their staff for some years.

MESSRS PONSFORD, BRADDY & CO, Chartered Accountants, of 28A Basinghall Street, London EC2, announce with great regret that MR RICHARD THORPE BAETLEY, F.C.A., died suddenly on December 26th, 1961 The practice will be carried on by the remaining partners.

MESSRS SHARP, PARSONS, TALLON & CO, Chartered Accountants, of Suffolk House, 5 Laurence Pountney Hill, London EC4, announce that Mr A. A. DAY, F.C.A., who has been a senior member of their staff for many years, has been admitted into partnership as from January 1st, 1962.

MESSRS W. H. WALKER & CO, Chartered Accountants, of 42 Castle Street, Liverpool; 6 Iddesleigh House, Caxton Street, London; and 50 Athol Street, Douglas, Isle of Man, announce that Mr GEOFFREY ROBERT LEECE, A.C.A., has been admitted to the partnership as from January 1st, 1962. Mr LEECE has also been admitted as a partner in the associated firms of MESSRS E. C. PRICE, SON & REID and MESSRS SLADE, LEWIS & SLADE, both of London. The practice of the firms will be continued under the same style as heretofore.

MESSRS DAVID LINCOLN & CO, Certified Accountants, of Victoria House, Southampton Row, London WC1, and Prudential Buildings, St Andrews Street, Cambridge, announce that Miss P. I. BRIDGE, A.A.C.C.A., has been admitted into partnership as from January 1st, 1962.

Appointments

Sir Julian Pode, F.C.A., deputy chairman and managing director of The Steel Company of Wales Ltd, became president of the British Iron and Steel Federation on January 1st, 1962.

Mr Walter Charles William Thompson, F.C.A., has been appointed financial director and chief accountant of Negretti & Zambra Ltd.

Mr J. Ferguson Smith, F.C.A., has been appointed to the board of Vickers-Armstrongs (Aircraft Ltd, Weybridge, Surrey, as commercial director.

Mr E. W. Lumb, F.C.A., has been appointed an associate director of Blakey's Boot Protectors Ltd.

Mr J. L. Brooke, B.COM., A.C.A., A.C.W.A., M.B.I.M., has been appointed chief accountant of A.E.I. Lamp & Lighting Co Ltd, Leicester, from January 1st, 1962.

Mr Alan A. Wylie, F.C.A., a director of the Namunakula Tea Estate Co Ltd, will become chairman of the company as from January 1st.

Mr P. W. L. Mitchell, F.C.A., secretary of Mansill, Booth & Co Ltd, has been appointed a director of the company, with effect from January 1st, 1962.

Mr J. A. Goldsmith, M.A., A.C.A., has been appointed deputy secretary and office manager of The United Steel Companies' Steel, Peech & Tozer branch.

Mr P. H. Brealey, B.SC.(ECON.), A.C.A., chief accountant of the Perkins group, has been appointed general financial analysis manager on the Massey-Ferguson group's corporate staff, in Toronto.

Mr J. F. Harper, C.A., formerly general manager of Bristol Aircraft Ltd, has been appointed managing director of that company.

NEW CHAIRMAN OF I.S.H.R.A.

Mr W. H. Lawson's Appointment

Mr W. H. Lawson, C.B.E., B.A., F.C.A., has been appointed by the Chancellor of the Exchequer as Chairman of the Iron and Steel Holding and Realization Agency in succession to the late Sir Herbert Brittain. The appointment will be for the period from January 1st, 1962, to June 9th, 1963, in the first instance.

Mr Lawson, who is 62, is senior partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, and a Past-President and a member of the Council of The Institute of Chartered Accountants in England and Wales. Educated at Lancing and Trinity College, Cambridge, he served as a delegate on the Austrian Treaty Commission in Vienna in 1947, was a member of the Transport Arbitration Tribunal 1948–57, a member of the Purchase Tax (Valuation) Committee in 1952 and of the Royal Commission on Local Government in Greater London. He is also a member of the Jenkins Committee at present inquiring into company law, and of the Southern Electricity Board.

EAST MIDLANDS ELECTRICITY BOARD

Chartered Accountant Appointed Chairman

The Minister of Power has appointed Mr A. N. Todd, F.C.A., to be chairman of the East Midlands Electricity Board from January 1st, 1962, in succession to Mr N. F. Marsh, M.A., M.I.E.E.

Mr Todd has been deputy chairman of the London Electricity Board since September 1st, 1956, having previously been chief accountant of that board since 1954. After service with Messrs Deloitte, Plender, Griffiths & Co from 1929–48, Mr Todd was assistant chief accountant and deputy chief accountant of the Merseyside and North Wales Electricity Board until 1951, when he became assistant chief accountant to the British Electricity Authority.

ULSTER RAILWAYS

Chartered Accountant to Investigate

Mr Henry A. Benson, C.B.E., F.C.A., of Messrs Cooper Brothers & Co, Chartered Accountants, has been appointed by the Minister of Commerce, Northern Ireland, to investigate the position of the railways, to make recommendations about their future, and to report on the effect which the recommendations will have on the transport system of the Ulster Transport Authority.

ACCOUNTANCY TUTORS' SECRETARY RETIRES

We have learned of the retirement of Mr E. G. Robinson, A.A.C.C.A., secretary of H. Foulks Lynch & Co Ltd, the accountancy tutors. Mr Robinson joined the staff of H. Foulks Lynch as secretary after the last war, following demobilization from the Army with the rank of Major, and is known to many thousands of chartered accountants, certified accountants and students for the accountancy examinations. His experienced advice so readily given was sought by principals and their clerks on all matters concerning tuition for the examinations. He is succeeded by his former assistant, Mr A. G. Wrigglesworth, A.C.I.S.

OBITUARY

Bernard H. Brigham, F.C.A.

We have learned with regret of the death on December 7th, 1961, of Mr Bernard H. Brigham, F.C.A., formerly secretary of the Friends' Provident, and The Century Insurance Co Ltd.

Educated at Handsworth Grammar School, Birmingham, Mr Brigham served his articles with the firm of W. F. Bridgwater & Co, Chartered Accountants, of Birmingham, and was placed second in both the Intermediate and Final examinations of The Institute of Chartered Accountants in England and Wales being awarded the Robert Fletcher Prize. He was admitted an Associate of the Institute in 1908 and was elected to fellowship in 1941.

In 1919 he joined the Friends' Provident and Century Life Office as accountant at their head office in Bradford and in the following year he moved to London, where a new head office was established. Mr Brigham served with the company throughout the remainder of his active career, being appointed assistant general manager in 1933 and secretary of the group in 1936, which position he held until his retirement in 1952.

Mr Brigham held a number of directorships, of some of which he retained after his retirement from full-time business life.

Arthur Morris Hobbs, F.C.A.

It is with regret that we record the death, at the age of 74, of Mr Arthur Morris Hobbs, F.C.A., the senior partner of Messrs Hobbs, Peskett & Co, Chartered Accountants, of London.

He qualified as a member of the former Society of Incorporated Accountants in 1916 and, after war service in France, commenced to practise in London in 1919, subsequently being joined by Mr G. A. Peskett and Mr G. S. Judd, to form the firm of Hobbs, Peskett & Co.

Mr Hobbs was a members of St Olave's Lodge and of the Lodge of Benefaction and holder of London Grand Rank. He was a director of William Glass Ltd.

DOUBLE TAXATION: UNITED KINGDOM AND MALTA

The terms of a double taxation agreement between Malta and the United Kingdom are contained in the schedule to a draft Order in Council published on December 19th, 1961. Before the agreement can take effect in the United Kingdom it will require the approval of the House of Commons. The agreement relates to taxes on income and is expressed to take effect in the United Kingdom from April 6th, 1962.

NEW FAMILY ALLOWANCES AND NATIONAL INSURANCE ACT

The Family Allowances and National Insurance Bill has received Royal Assent and a number of changes in the Act will come into operation immediately. They include:

Incapacitated Children
Children incapable of regular employment because of long-term disability can now be counted for family allowances and national insurance purposes up to the age of 16, whether or not they have been able to go to school.

Industrial Accidents
Certain additional risks are now covered under the Industrial Injuries Scheme. An accident, occurring in the course of employment, which results from another person's misconduct, 'skylarking' or negligence, or is caused by an animal, or results from the injured person being struck by an object or by lightning can be regarded as an industrial accident, provided the injured person did not contribute to the happening of the accident by any conduct or action unconnected with his employment.

Special Hardship Allowance
This allowance under the Industrial Injuries Scheme is to compensate people who as a result of industrial injury or disease are unable to follow their regular occupations or employment of a similar standard. The Act extends 'regular occupation' for this allowance to include employment to which people in an occupation normally advance and of which a claimant, had he not been injured, would have had at least the normal prospect. A man will now be treated as incapable of following his regular occupation so long as he is deprived of these prospects because of the effects of an industrial accident or disease.

A similar change has already been made in the administration of the allowance for lowered standard of occupation in the War Pensions scheme which is the corresponding provision under the Royal Warrants.

Unemployability Supplement and Workmen's Compensation Supplementation
The amount a person can earn without affecting his entitlement to unemployability supplement under the Industrial Injuries Scheme or the allowance under the Workmen's Compensation and Benefit (Supplementation) Act, 1956, is increased from £52 to £104 a year.

Other changes are dependent on the making of Regulations and will be brought into effect at later dates. The main ones are listed below, with the approximate dates when they will come into operation.

Workmen's Compensation
The Act includes further provision for persons incapacitated as a result of injuries or diseases due to employment before July 1948, when the present Industrial Injuries Acts came into force. The allowance for the totally disabled under the Workmen's Compensation and Benefit (Supplementation) Act, 1956, is to be raised to 32*s* 6*d*. The partially disabled entitled to workmen's compensation at the maximum rate will receive an increase of up to 10*s* in existing supplementation, where they were injured before 1924, or a new allowance of up to 10*s* where their injury was later. The benefit for partially disabled persons (mainly pneumoconiotics)

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coming within the special schemes made under the Industrial Diseases Acts, 1951 and 1954, is to be increased by 7*s* 6*d*.

These changes will affect some 20,000 people. It is expected that those affecting the totally disabled will come into operation on January 17th. No application for increases of their existing supplements will be needed; the order books of those qualifying will be adjusted by the Ministry. Those changes affecting the partially disabled are subject to schemes requiring the approval of Parliament and it is hoped that they will become operative on February 28th.

Retirement Pension Increments for Certain Widows

There will be improvements in the total retirement pension which some husbands, who defer their retirement beyond 65 for periods after December 25th, 1961, can earn for their wives, in widowhood.

For every twelve contributions a husband paid during deferred retirement after August 1959, and before December 25th, 1961, he can earn, for his wife's retirement pension on his insurance, an increase of 6*d* during his lifetime and 1*s* on widowhood, provided she herself was over the minimum pension age of 60 at the time they were paid. Under the new provisions, for such contributions paid on or after December 25th, 1961, a husband can, in addition, earn a 6*d* increase for her retirement pension in widowhood for every twelve of these contributions he pays while she is under 60. (*Note:* The new arrangements do not alter either the retirement pensions payable during the husband's lifetime or the amounts payable where the wife was over 60 throughout the husband's deferred retirement.)

A further improvement will provide a widow who becomes entitled to retirement pension on her own insurance with half of all the 1*s* increments which her husband earns by deferring retirement and paying contributions on or after December 25th, 1961. She can receive these in addition to any increments which she may earn by deferring her own retirement and paying contributions beyond age 60.

CENSUS OF DISTRIBUTION AND OTHER SERVICES FOR 1961

Forms for the census of distribution covering trade in 1961 have been sent out this week to half a million shopkeepers throughout the country.

The prompt return of completed forms will reduce the cost of taking the census, states the Board of Trade, and increase its value by enabling the results to be published earlier. Estimated figures are acceptable, and it is not necessary to wait until final accounts are prepared. The census form asks traders who intend to have their forms completed by accountants to pass them on at once, having first answered the questions relating to the description of the business, the persons engaged, and the kinds of goods sold.

Returns should preferably be made for the calendar year 1961 even where this is not a firm's business year; but if this is difficult a business year ending not later than April 5th, 1962, may be used. If the return is to be made for a business year ending later than December 31st, 1961, the form should be completed and returned as soon as possible after the end of the business year.

The census of distribution for 1961 will provide a full analysis of retail business for the first time since the census for 1950, which was the first to be taken. All traders are being asked to give a description of their business, and to state their total turnover, the number of persons working in the business, and whether certain kinds of goods were sold. Other information will be obtained from a sample of traders only.

The census is being taken under the Statistics of Trade Act, 1947. The information given will be treated in strict confidence and will be seen only by the staff of the Statistics Division of the Board of Trade. Under no circumstances will information about an individual trader's business be disclosed to any other Government department.

If a trader or his accountant thinks the wrong form has been sent or that the business concerned is exempt from the census, he should return his form to the Census Office at once, explaining the circumstances. Anyone engaged in retail trade who has not received a census form may obtain one from the Census Office, who will also be glad to answer any questions about the completion of the forms. The address of the Office is as follows: Board of Trade, Census Office, Eastcote, Ruislip, Middlesex. Telephone: Pinner 8771, Ext. 227.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY

New Secretary

The new honorary secretary of the South Wales and Monmouthshire Society of Chartered Accountants, as from January 1st, 1962, is Mr Howard N. Jones, B.A.(ECON.), A.C.A., of Messrs Horace Jones & Co, 63 Park Place, Cardiff.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday next at 6 o'clock for 6.30 p.m. at the Tiger Tavern, 1 Tower Hill, London EC3. The topic for discussion will be 'Are accountants more progressive in North America than here', introduced by Mr John Smurthwaite, A.C.A.

INCOME TAXES IN THE COMMONWEALTH

Several inquiries have been received regarding the availability of reprints of the eleven-page study on 'Income Taxes in the Commonwealth', published in *The Accountant* of November 25th, 1961. We are prepared to supply reprints, if the demand is sufficient, at the price of 15*s* for ten copies (minimum order). Other interested readers should write to the Editor at 151 Strand, London WC2.

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THE INSTITUTE OF INTERNAL AUDITORS

Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham 3, on Thursday, January 11th, 1962, at 6.30 p.m. Light refreshments will be available from 6 p.m. Three short talks will be given by Chapter members, they are:

'Varying the approach', by Mr D. Lawrence;
'Communications' by Mr H. J. Lorton; and
'Separation of duties', by Mr F. W. Smith.

Inquiries regarding the activities of the Chapter should be addressed to the Secretary, Mr R. C. J. Lucas, West Midlands Gas Board, 39/41 Hagley Road, Birmingham 16.

CONFERENCE ON USE OF RESOURCES

A one-day conference on 'Planning for maximum profits' intended for accountants, directors and senior managers is to be held at the Connaught Rooms, Great Queen Street, London WC2, on January 11th, 1962.

Organized by the British Institute of Management, speakers will include Mr H. L. Bingham, director and financial controller, Viscose Division, Courtaulds Ltd, who will examine the most effective use that can be made of available resources at a time of shortage of capital, aggravated by the credit squeeze, Mr W. J. Lloyd, managing director, Wood Hall Trust Ltd, will discuss how to sell at the right price, the right kind of products in the right market, and Mr H. H. Norcross, F.C.W.A., managing director, Norcross & Partners Ltd, will examine how overheads can be controlled without hindering growth and development at a time when automation and rising prices bring a rapid increase in costs. The chair will be taken by Mr R. F. Hunt, A.F.R.AE.S., A.F.C.AE.I., deputy chairman, Dowty Group Ltd.

Further details regarding the conference are obtainable from the British Institute of Management, 80 Fetter Lane, London EC4.

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade have announced that the appointment of Mr D. Atkinson as Official Receiver for the bankruptcy district of the County Courts of Carlisle, Barrow-in-Furness and Ulverston, Kendal, Whitehaven and Millom, and Workington and Cockermouth expired on December 31st, 1961.

The bankruptcy district is now administered within the salaried service of the Board of Trade. Mr W. Armstrong, the Official Receiver for the Newcastle and Stockton districts, with an office at Clarendon House, Clayton Street West, Newcastle upon Tyne 1, will also be the Official Receiver for the bankruptcy district of the County Courts of Carlisle and Workington and Cockermouth. Mr J. Tye, the Official Receiver for the Manchester 'B' district, with an office at 20 Byrom Street, Manchester 3, will also be the Official Receiver for the bankruptcy district of the County Courts of Barrow-in-Furness and Ulverston, Kendal, and Whitehaven and Millom.

It is also announced that Mr K. H. Bidmead, an Assistant Official Receiver for the Newcastle and Stockton districts, has been appointed an Assistant Official Receiver also for the bankruptcy district of the County Courts of Carlisle and Workington and Cockermouth with effect from January 1st, 1962, and that Mr J. A. Sell, an Assistant Official Receiver for the Manchester 'B' district, has been appointed an Assistant Official Receiver also for the bankruptcy district of the County Courts of Barrow-in-Furness and Ulverston, Kendal, and Whitehaven and Millom, with effect from January 1st, 1962.

ANNOTATED TAX CASES

Part 6 of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *C.I.R. v. J. B. Hodge & Co (Glasgow) Ltd* (H.L.); *Hutton v. Hutton (No. 2)* (C.A.); *Jamieson v. C.I.R., Wills v. C.I.R.* (Ch.D.); *Coates v. Holker Estates Company* (Ch.D.); *British Commonwealth International News Film Agency Ltd v. Mahany* (Ch.D.); *Rae v. Lazard Investment Co Ltd* (Ch.D.); *Brogan v. Stafford Coal and Iron Co Ltd* (Ch.D.); *De Voil v. Welford Gravels Ltd* (Ch.D.); *Erddig Motors Ltd v. McGregor* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

THE ACCOUNTANTS' DIARIES

Users of *The Accountants' Diaries* are asked to note the following amendments:

Foolscap, page 50; Pocket, page 181: Tax Reserve Certificates: interest now (as from November 25th, 1961) 3½ per cent; the rate as at August 12th, 1961, was 3½ per cent, not 3 per cent as shown.

Foolscap, page 63; Pocket, page 137: Yorkshire Insurance Co Ltd; last declared bonus rate in the Endowment Assurance table is misprinted 50s; the rate should be 60s as shown in the Whole Life table.

Foolscap, page 124; Pocket, page 284: Annual meeting of The Institute of Chartered Accountants in England and Wales is now to be held on Thursday, May 3rd, and not on May 2nd.

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THE ACCOUNTANT

ESTABLISHED 1874

JANUARY 13TH, 1962 VOL. CXLVI. NO. 4543

CONTENTS

	Page
Small Estates: Grants of Representation	29
Research Activities under the Microscope	30
Coding Notices by *Félice V. Slade, A.C.A.*	32
Notes on Information Required from Companies Seeking Quotation on the London Stock Exchange by *J. A. Hunter, M.B.E., T.D.*	37
Weekly Notes More New Year Honours – Muted Optimism – or Warning? – Planning Wages – Decimal Coinage and the Metric System – Office Congestion in London	40
This is My Life . . . by *An Industrious Accountant*	42
Finance and Commerce Montague Burton Ltd – Seafield Fabrics Ltd – Samuel Osborn & Co Ltd – City Notes	43
Electronics in the Office Decimalization Change-over – Computer for 'B.O.L.S.A.' – Computer Bibliography – Royal Navy Installs new Stock Control System – New Computer Bureau for Birmingham	47
The Institute of Chartered Accountants in England and Wales Special and Ordinary Meetings of the Council	48
Findings and Decisions of the Disciplinary Committee	50
Members' Library	50
Taxation Case Lions Ltd *v.* Gosford Furnishing Co Ltd and C.I.R.	51
Notes and Notices	52
New Legislation	56

Small Estates: Grants of Representation

ORDINARILY a grant of representation in respect of the estate of a deceased person must be obtained at either the principal registry or one of the district registries or sub-registries – there are in England and Wales twenty-six of the former and seven of the latter – of the Probate, Divorce and Admiralty Division of the High Court. While no particular difficulty attends the obtaining of a grant in a straightforward case, a simpler and cheaper method of taking out representation has long existed in the case of very small estates, the procedure being to apply to an officer of Customs and Excise in England or Wales, within which there are 273 offices of H.M. Customs and Excise approved for the receipt of applications for grants of representation.

In the case of a deceased person who died on or after June 1st, 1881, and before August 2nd, 1894, the procedure in question was available only if the gross personal estate (exclusive of property settled otherwise than by the will of the testator) did not exceed £300 (Customs and Inland Revenue Act, 1881, section 33). In the case of persons dying on or after August 2nd, 1894, the procedure was extended, by section 16 (1) and (2) of the Finance Act, 1894, to cases where the gross value of the property, whether real or personal, did not exceed £500. This limit remained in force until the Small Estates (Representation) Act, 1961 (which received the Royal Assent on July 19th last), was brought into force on January 1st, 1962, by the Small Estates (Representation) Act (Commencement) Order, 1961 (S.I. No. 2147 of 1961).

Section 1 (1) of the Act of 1961 provides that the limits on the operation of section 33 of the Act of 1881 (as subsequently amended) shall be that the value of the net estate is less than £1,000 and that the gross estate is less than £3,000, and provides for the consequential amendment of various statutes which are specified in the First Schedule. Subsection (2) of section 1 provides that 'gross estate' means the aggregate of the property real and personal (but excluding property settled otherwise than by the will of the deceased) in respect of which estate duty would be payable if the duty were payable in respect of estates however small the principal value thereof, and that the value of the net estate is to be taken to be the amount appearing from the affidavit for the Commissioners of Inland Revenue referred to in section 30 of the Act of 1881 to be the value of the net real and personal estate passing under the grant of representation. The Act of 1961 has,

however, no application where the death occurred before April 10th, 1946 (section 3 (3)), so that the limit provided for by the Act of 1894 is still applicable in a case – and such a case will obviously be extremely rare – where a grant is sought in respect of a deceased person who died before that day.

The Act of 1961 applies to Scotland, which has legislation parallel with the Acts of 1881 and 1894, and where application may be made either to an officer of Customs and Excise or to the sheriff clerk. It does not apply to Northern Ireland, save that section 3 (5) enables the Parliament of Northern Ireland to pass similar legislation.

Clearly the time for increasing the £500 limit had come, and the increase to £1,000 net is not a large one bearing in mind the difference in the value of money between 1894 and today. The limit of £3,000 has been selected for two reasons. First, if the gross value of an estate exceeds £3,000 but the net value is less than £1,000, it is likely to be fairly heavily encumbered, in which case there may be legal complications which can be dealt with more satisfactorily in a probate registry than in a Customs and Excise office. Secondly, no question of estate duty assessment arises in the case of an estate within the £3,000 limit, since section 32 of the Finance Act, 1954, exempts from estate duty an estate the principal value of which does not exceed £3,000.

Section 2 of the Act of 1961 provides for the replacement of the fixed fee of 15s laid down by section 33 (1) of the Act of 1881. The Supreme Court (Non-Contentious Probate) Fees Order, 1961 (S.I. No. 2186 of 1961), made under section 213 of the Supreme Court of Judicature (Consolidation) Act, 1925, substitutes a sliding scale of fees.

Research Activities under the Microscope

FOR some years there has been discussion of the adequacy of research and development activity in Britain in the face of American and European competition. Information as to the recent extent of such activity was derived mainly from surveys made by the Department of Scientific and Industrial Research in 1955 and 1958, but indications of the quality and effectiveness of research and development effort were difficult to establish.

A considerable accession of knowledge is now provided by the publication of the results of a survey carried out during 1959–60 by the Federation of British Industries, in conjunction with the National Institute of Economic and Social Research.[1] The figures quoted are derived from F.B.I. members only, but comparisons with earlier surveys indicate that these firms account for more than 90 per cent of the research and development expenditure of all manufacturing industry.

Within the framework of F.B.I. membership, revenue expenditure on research and development is now estimated at £250 million per annum – a fourfold increase over ten years. Total personnel employed in these activities has doubled over the same period. The distribution by industry of this expenditure may be summarized as:

	£
Aircraft	89,000,000
Electrical engineering	55,000,000
Other 'research industries' (chemicals, man-made fibres, general engineering, metal manufacture, and vehicles) ..	83,000,000
All other ('traditional') industries	23,000,000
	£250,000,000

About two-fifths of the total is Government financed, the preponderant shares going to aircraft and electrical engineering.

[1] *Industrial Research in Manufacturing Industry, 1959–60.* Federation of British Industries, 21 Tothill Street, London, SW1. Price 40s.

More than 60 per cent of the firms reported plans for expansion of research and development, but it is obvious that a major limiting factor is shortage of qualified manpower. At the date of reporting there were over 2,000 vacancies for qualified scientists and engineers, representing some 13½ per cent of existing establishments. A possible means of economizing scientific manpower might be greater use of research associations, expenditure through which (excluding the aircraft industry) amounted to only 4 per cent of the total research expenditure of the reporting firms. Comments submitted on the services given by research associations, however, indicated that in many cases only background information was being provided, or that the associations' research effort was in some way inadequate.

Accountants, no doubt, will be most interested in using the report as a yardstick against which to measure the performance of the firms with which they are connected. Four sets of figures give guidance in this respect:

(1) Ratios of research and development expenditure to net output and to total payroll.

(2) Percentages of research and development expenditure on various stages of research and development.

The report indicates that 6½ per cent of research effort was reported as 'basic research', 37 per cent as new product development, 41 per cent as improvement of existing products, and 15½ per cent as technical services and miscellaneous.

(3) Indications of the extent to which research and development expenditure is useful, in the sense of finding a commercial application.

Overall some 18 per cent of total expenditure was reported as abortive in this sense.

The fact that the percentages were higher for smaller than for larger firms, and that in certain industries percentages in excess of 50 per cent were returned, may indicate that much effort is in some way misdirected.

The N.I.E.S.R. commentary cogently suggests that to realize research and development potential, firms must have qu people in management and produc capable of seeing and using the potent gains.

(4) Correlation between research and development expenditure and growth and profitability.

The conclusion from the information provided is that although there is a general positive association between the factors, and in a few cases this is significant, no causal relationship can be generally established. The greater part of the difference between firms in rates of growth and profitability is probably due to factors other than differences in the amount of research and development.

A disappointing reflection on the state of industrial accountancy is provided by the report on criteria used in choosing research projects and in measuring the return from such projects. Only seventy-five firms (apparently about 10 per cent of the total) acknowledged any specific criterion for choosing projects, normally the relationship between forecasts of cost and profit; and only thirty-nine reported any method of measuring return after the research work had been completed.

It is possible that these replies are not fully representative, but it would obviously be helpful to accountants in industry and to the profitable utilization of research and development effort in the country if one of the professional bodies could contrive the wider dissemination of information on methods of control currently in use.

Only a minute part of the wealth of information contained in this report has been mentioned, but one further comment demands quotation:

> 'Concentration on basic research is an effect of our failure to develop appropriate methods of training and selecting managers. The number of research managers with a grasp of the principles of organization and of the economics of research is small.'

We trust fervently, in the face of the facts adduced, that this last statement is not true also of members of the accounting profession.

Coding Notices

by FÉLICE V. SLADE, A.C.A.

CHECKING a coding notice is normally a straightforward matter but in unusual circumstances some difficult points can arise which call for a sound knowledge of the machinery of the Pay-as-you-earn system and, in particular, of the Tax Deduction Tables.

There are two basic principles to remember. Firstly, the 'free pay' figures shown by Table A represent the taxpayer's total allowances *grossed up by the fraction 9/7ths* to give earned income relief to the extent of those allowances. Secondly, Table B then automatically allows further relief on the taxable part of the income.

Various circumstances which call for special adjustments to be made in a coding notice will now be considered separately.

1. Earned Income in Excess of £9,945

It is important to remember that Table B alone gives earned income relief up to the full limits provided by the Income Tax Act, i.e. at 2/9ths on income up to £4,005 and at 1/9th on further income up to £9,945. Accordingly, where the income exceeds these limits and personal allowances are due, it is obvious that Tables A and B together can operate to give excess earned income relief. To prevent this a deduction for 'earned income relief restriction' is made in the coding.

If the earned income exceeds £9,945, the 2/9ths relief given on the coded allowances or on the excess income, whichever is the less, must be withdrawn. In other words, the deduction (in terms of allowances) to be made in the coding notice is 2/9ths of the total coded allowances, the formula for that adjustment being:

'Free pay' = 9/7ths C.A. (coded allowances)

Earned income relief allowed in free pay = 9/7ths C.A. – C.A. = 2/7ths C.A.

Therefore deduction (in terms of allowances) to be made in coding = 7/9ths × 2/7ths C.A. = 2/9ths C.A.

2. Earned Income between £4,005 and £9,945

What one has to do in this instance is to substitute earned income relief at 1/9th for 2/9ths on the coded allowances or on the income in excess of £4,005, whichever is the less. In this case the deduction, in terms of allowances, is 1/8th of those coded, the formula being as follows:

Earned income relief allowed at 2/9ths in free pay is, as above 9/7ths C.A. – C.A. = 2/7ths C.A.

Amended earned income relief at 1/9th = 9/8ths C.A. – C.A. = 1/8th C.A.

Excess earned income relief = 2/7ths C.A. – 1/8th C.A. = 9/56ths C.A.

Therefore deduction (in terms of allowances) to be made in coding = 7/9ths × 9/56ths C.A. = 1/8th C.A.

3. Charges Exceeding Earned Income

If a taxpayer's charges exceed his unearned income he is allowed earned income relief only on the earned income as reduced by the excess charges. But as the tax tables automatically allow earned income relief on the full amount of the earnings a restriction has to be made in the coding to avoid an excessive allowance.

Example:

A single man earns a salary of £1,650, receives taxed investment income of £150 (gross) and pays loan interest of £400 (gross).

The amount on which earned income relief must be restricted is £250, i.e. loan interest £400, less taxed investment income £150.

The coding then becomes:

Personal allowance	£140
Earned income relief restriction, 2/9ths of £250	56
Allowances to be set against pay ..	£84

4. Expenses Restricting Earned Income Relief

Because the tax tables automatically give earned income relief on the full amount of the gross pay, whereas a taxpayer is entitled to relief only on his net earned income (i.e. after deducting expenses), only 7/9ths of the expenses should be included in the coded allowances.

5. Allowances Exceeding the Maximum Covered by the Highest code Number

Example:

Married man with two children aged 14 and 16 (still at school) respectively, life assurance relief due on £150, retirement annuity premium £750 p.a. (all allowable).

The allowances for inclusion in the coding notice are firstly calculated as follows:

	£
Personal allowance	240
Child allowance	275
Life assurance	150
Retirement annuity premium	750
	1,415
Less Family allowance 7/9ths £20 ..	16
	£1,399

But the maximum code number provided for in the P.A.Y.E. system is No. 225 which is equivalent to allowances of £1,062–£1,067.

As the total allowances in the example above exceed the maximum shown in the list of codes by some £334 the Inspector of Taxes will issue two compensating instructions to bring the P.A.Y.E. treatment into line with the circumstances. Firstly, he will deduct, say, £334 'maximum code restriction' from the total allowances of £1,399 thereby reducing the total to £1,065.

Secondly, to compensate for this deprivation the inspector will issue instructions to the employer to apply the tax tables (code No 225) only to the remuneration as reduced by £334 per annum or by, say, £28 per month.

The 'maximum code restriction' is therefore a technical adjustment which, provided the complementary instructions to the employer are correctly carried out, will ultimately have no effect on the amount of income tax deducted from the remuneration.

6. More than one Employment

As the tax tables treat each employment as if it were the sole source of income of the taxpayer, it is obvious that some adjustment must be made where there are in fact several employments, to avoid an excess allowance of earned income relief and reduced rates relief. A variety of methods are available to achieve this end.

A principal source of income may be selected and the other sources may be either charged at the standard rate (a special 'S.R.' coding is notified) or exempted altogether from deduction of tax (in which case a 'N.T.' code is notified). In the first instance, which is probably the most usual, the earned income relief based on an estimate of the prospective subsidiary income (within the total limit of such relief) is added to the total allowances determining the code of the principal source of income. In the second instance, the coding for the principal source is modified to take into account the liability on the subsidiary income; for example, if the principal source is sufficient to absorb the full reduced rates relief, the amount of the subsidiary remuneration, less earned income relief thereon, is deducted from the coded allowances for the principal source.

It is not usually practical to divide the reliefs and issue two ordinary code numbers, as difficulties arise over the reduced rates relief, but sometimes this is done.

Example:

Single man earns the following:

Source 1 Salary £950 *less* expenses £150
„ 2 „ £420 „ „ £100
„ 3 „ £100

Life assurance relief due on £63.

In such a case the codings (which have been chosen to illustrate the point rather than to show the most practical method) might be as follows:

Source 3
Earned income relief only, = Code 0

Source 2

Expenses £100 *less* earned income relief £22	£78	
Personal allowance	140	
	£218	= Code 56

(Earned income relief and reduced rates relief given automatically).

Source 1

Expenses £150 *less* earned income relief £34	£116	
Life assurance relief ..	63	
	179	
Less: Double reduced rates restriction (see below) ..	68	
	£111	= Code 24

(Earned income relief and reduced rates relief given automatically).

In the example above, if the restriction of £68 had not been made in the coding for the salary from source 1 an excessive amount of reduced rates relief would have been given in respect of

the remuneration from sources 1 and 2. The restriction is calculated as follows:

	£	£
Salary (2)		420
Less: Earned income relief ..	94	
Allowances (as above) ..	218	
	—	312
		£108

	£	s	d
Chargeable – £60 at 1s 9d	5	5	0
£48 at 4s 3d	10	4	0
Tax recovered by coding	15	9	0
But the correct liability is £108 at 7s 9d	41	17	0
Therefore the undercharge is ..	£26	8	0

which is approximately equal to £68 at 7s 9d

In any event it is the practice for the Inspector of the General Claims District to allocate the various allowances and to notify his colleagues in the Districts in which the subsidiary sources of income arise, of any restrictions that may be necessary in the codings in those Districts.

7. Remuneration Paid to a Non-resident British Subject

A non-resident British subject is entitled, under section 227 of the Income Tax Act, 1952, to proportionate allowances and this restriction of allowances must of course be reflected in the coding for any United Kingdom source of earned income. The practice in such a case is for the Chief Inspector of Taxes (Claims) first to estimate the total income tax liability for the year in question, based on the anticipated earnings, and then to calculate the coding from that estimate.

Example

NON-RESIDENT ARMY OFFICER

Liable income and charges 1960–61:

Service pay £1,740; Uniform allowance £40; Family allowance £20; Untaxed interest £34; Taxed dividends £187; National Insurance Contributions £11=£1,930.

Non-liable income:

Foreign dividends £792; 3½ per cent War Loan interest £38=£830.

Allowances:

Personal allowance £240; Child allowance £200; Dependent relative relief £60; Life assurance £75=£575.

Estimate of liability:	£	£
Liable income		1,930
Non-liable income		830
		2,760
Earned income relief (2/9ths of £1,720)	383	
Other allowances	575	
	—	958
		1,802
Chargeable at reduced rates ..		360
Chargeable at standard rate ..		£1,442

	£	s	d
Tax payable at reduced rates ..	84	0	0
Tax payable at standard rate ..	558	15	6
	£642	15	6

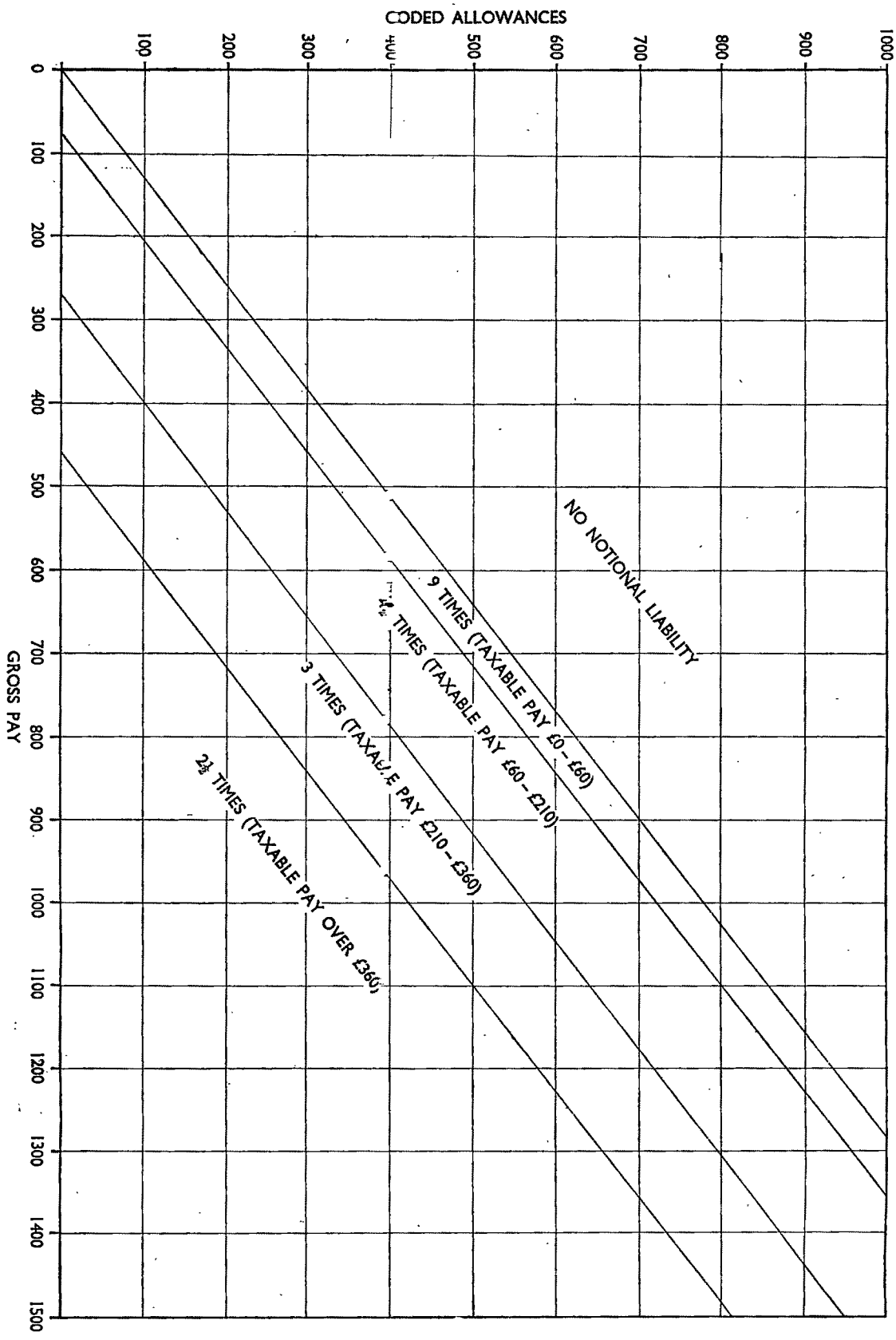
	£	s	d
Proportion applicable to liable income 1930/2760 of £642 15 6	449	9	6
Less Tax deductible at source from dividends – £187 at 7s 9d	72	9	3
Estimated liability to be deducted from Service pay	£377	0	3

The following calculation is then made to determine the amounts to be charged at the reduced rates and standard rate, respectively, in order to collect, as nearly as possible, the sum of £377 0s 3d arrived at above:

	£	s	d
£360 at reduced rates	84	0	0
756 at standard rate	292	19	0
£1,116	£376	19	0

Bearing in mind that the 'gross pay' is £1,740 and the taxable income according to the foregoing calculation is £1,116, it is then a simple matter to compute the proportionate allowances, thus:

	£
Gross Service pay	1,740
Less Earned income relief	387
	1,353
Deduct Amount to be charged as above	1,116
Net allowances due	£237


CODED ALLOWANCES
100
200
300
400
500
600
700
800
900
1000
GROSS PAY
0
100
200
300
400
500
600
700
800
900
1000
1100
1200
1300
1400
1500
NO NOTIONAL LIABILITY
9 TIMES (TAXABLE PAY £0 - £60)
4½ TIMES (TAXABLE PAY £60 - £210)
3 TIMES (TAXABLE PAY £210 - £360)
2½ TIMES (TAXABLE PAY OVER £360)

The coding notice will then read as follows:		£
Uniform allowance £40×7/9ths	..	32
Personal allowance	..	240
Child allowance	..	200
Dependent relative	..	60
Life assurance	..	75
National Insurance Contributions	..	11
		618
Less Interest	£34	
Family allowance £20×7/9ths	16	
Section 227, Income Tax Act 1952 adjustment ..	331	
		381
Allowances to be set against Service pay		£237
		(as above) Code No. 64

8. Underpayment of Tax Brought Forward from Previous Year

Tax underpaid under P.A.Y.E. for any year may be recovered by reducing the total of the allowances to be included in the coding for a subsequent year. The amount to be deducted is the sum, tax on which would equal the underpayment at the rate for the year for which the coding is being calculated (not the year in which the underpayment arose) and at the highest rate likely to be applicable. The aim is so to adjust the coding that the tax deductible (and not merely the 'taxable pay') is increased by a certain amount. In order to do this, it is necessary to deduct from the allowances 2½ times, 3 times, 4½ times or 9 times the amount of tax underpaid, depending on whether the particular employee's highest rate of tax is 7*s* 9*d*, 6*s* 3*d*, 4*s* 3*d* or 1*s* 9*d*, respectively.

Any practitioner who has frequently to check coding notices may find it worth while to draw up a simple graph for working out the number of times by which an underpayment should be multiplied in any particular instance. The graph will save him the trouble of working out the highest rate of tax in each particular instance – admittedly a simple enough task, but one that involves (*a*) calculating the appropriate earned income relief, (*b*) deducting this relief and the total allowances from the gross pay and (*c*) ascertaining, from the resultant taxable pay, what is the highest rate of tax payable.

Such a graph is illustrated herewith and it will be seen that one merely has to pinpoint on the graph by reference to (1) the gross pay, and (2) the total coded allowances of the particular individual, to ascertain by how many times the underpayment should be multiplied for deduction in the coding notice.

Thus a taxpayer earning £850 with total coded allowances of £480 must have his underpayment multiplied 4½ times for deduction in his coding.

9. Reduced Rates Relief on Taxed Dividends

If it appears that part of the first £360 of an employee's taxable income will consist of dividends from which tax is deductible at source, a provisional allowance is given in the coding for 'Reduced rates relief on dividends'.

Example

Married man (no children) earns £700 for 1961–62 and is expected to receive taxed dividends of, say, £300 (gross).

The estimate of his Schedule E liability for the year will be:

	£	£
Salary		700
Less Earned income relief ..	156	
National Insurance Contributions	18	
Personal allowance ..	240	
		414
		£286

	£	£ s d
Chargeable at 1*s* 9*d*	60	= 5 5 0
,, ,, 4*s* 3*d*	150	= 31 17 6
,, ,, 6*s* 3*d*	76	= 23 15 0
	£286	£60 17 6
Less Balance of reduced rates relief against dividends £74 (£150–£76) at 1*s* 6*d*		5 11 0
		£55 6 6

The taxpayer's highest rate of tax on his salary is 6*s* 3*d* and his coded allowances are therefore increased by a sum, tax on which at 6*s* 3*d* will equal as nearly as possible the balance of the reduced rates relief. Tax on £17 at 6*s* 3*d* is £5 6*s* 3*d* and £17 should therefore be added to the coded allowances.

Another way of looking at this point is to regard the balance of the reduced rates relief of £5 11*s* as if it were an *over*payment of tax brought forward from an earlier year. The graph previously described shows that if the gross pay is £700 and the coded allowances £258, the overpayment must be multiplied three times for inclusion in the coding notice. If one multiplies £5 11*s* by three one gets the same answer of £17 (to the nearest £) for inclusion in the coding.

Notes on Information Required from Companies Seeking Quotation on the London Stock Exchange

by J. A. HUNTER, M.B.E., T.D.

THE main purpose of the London Stock Exchange is to provide an efficient market for the purchase and sale of securities. An efficient market can only operate when all who use it have confidence that within reason they are in possession of the same facts as their opposite number in a bargain. The availability of all relevant information concerning the quoted securities and the speedy dissemination of that information are two important factors in the maintenance of an efficient market. Of the 9,355 securities quoted on the Stock Exchange, London, at March 31st, 1961, 8,470 were securities relating to companies.

Educating Investors

The stock exchange attaches great importance to the very high standards of investigation carried out and the accuracy of the information supplied by the issuing houses, sponsoring brokers, reporting accountants, solicitors and others who are engaged in the preparation of prospectuses and statements of information as a preliminary step to an application for quotation. The stock exchange does not, however, rely solely on the fact that the economic and financial aspect of the company has been examined by a reputable institution. Nor by granting a quotation does it guarantee the worthiness of the security or the company. Instead it works on the basis that all the relevant information must be available to enable the investor to judge the merits of the security. Once the information has been made available through the stock exchange the onus is put on the potential investor to draw his own conclusions. This approach develops a greater sense of shareholder responsibility and encourages a keener interest in investment. The encouragement of these responsibilities and interests are important because the holders of Ordinary, Deferred, and Founders shares are joint proprietors of the business and will be called upon from time to time to exercise their vote in a responsible manner. By educating investors in this way it becomes more difficult to market doubtful propositions to the public.

In order to ensure that sufficient information is sent out the stock exchange requires the documents which relay the information to be submitted in draft form. The documents are then examined by officials who check that the requirements which are contained in Appendix 34 to the rules and regulations of the stock exchange are complied with. A records department is maintained which checks on the personalities connected with the company.

These draft documents are treated in the strictest confidence and, in order to ensure that all the stock exchange requirements are complied with, they are normally lodged a number of weeks before being published.

Types of Application

The securities in respect of which this information must be given fall into three groups. In the first group are applications by companies no part of whose share or loan capital is already quoted, i.e. original applications. In the second group are applications by companies part of whose share or loan capital is already quoted. In the third group are applications of companies wishing to issue securities which will become identical with existing quoted securities. If none of the securities is already quoted information about the activities of the company in addition to the information about the securities is required by the stock exchange. These requirements are additional to the conditions set by law which must also be complied with. The formal details such as the capital, rights appertaining to the security, details of the names of directors and relevant parts of the articles of association, statutes, trust deed or other regulations must, of course, be given.

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The paper was given at the recent Conference of European Stock Exchanges.

However, in order to enable the potential investor to assess the merits of the security the following information must also be given; the profit figures of the company and its subsidiary companies (if any) for the preceding ten years in order to enable the trend to be judged; a description of the business and its products; the management; the assets and liabilities of the group (if a holding company) and of the company. With regard to this last point only certain types of companies are by law allowed to have secret reserves. The assets appertaining to the different sorts of business are also shown. The report on assets and liabilities must include a valuation of the stock and work in progress supported by a statement from the reporting accountants to the stock exchange that they are satisfied that they have been properly taken and valued throughout the period in question. In the case of a property company, an up-to-date valuation of the properties made by independent valuers. In the case of a mining company or oil prospecting company reports by mining engineers and geologists on the prospects are required to be included. A statement on the financial and trading prospects together with material information which may be relevant thereto. In some cases a request is made for these estimates to be accompanied by evidence supporting the basis on which they have been determined.

There is a note at the beginning of Appendix 34 to the rules and regulations of the stock exchange which reads:

> 'These requirements are not exhaustive and the committee may add thereto or subtract therefrom in any particular case.'

This provides a great measure of flexibility to the requirements and enables the stock exchange to call for additional information in special circumstances or to waive requirements where they would be unduly burdensome.

Additional Information

Often additional items of information are requested. For example, disclosure of information about the relative importance of a particular branch of the business or of a particular product; where a valuation of fixed assets is used to indicate the assets cover for the share capital or for information purposes, and this valuation has not been written into the books, the company is asked to state whether it is the intention of the directors to adopt that valuation in the books and accounts and to increase the depreciation charges in view of the enhanced values. Companies are also asked to state whether there is any litigation or claims of material importance pending and whether there are any arrangements such as life or long-term service agreements with the holding company or any of its subsidiaries whereby the holding company is unable, without a claim for substantial damages arising, to make such changes as it desires in the board or higher management of the subsidiaries.

Although the stock exchange does not stop an issue of securities merely because it does not appear to be attractive, the full amount of disclosure required and the scrutiny to which it has been subjected and the information required to be revealed act as a deterrent to a bad proposition.

The information which must be given when quotation is sought for the securities of a company, part of whose share or loan capital is already quoted, is based on the assumption that certain details about the company are already known. The company will, of course, have given the basic information detailed above when it first sought quotation and this will be available to the public, through the media of what are known as the statistical services.

The further information required to be given includes: rights as to the capital; dividend interest; voting; particulars of current indebtedness or guarantees of the company or group; particulars of capital of the company or subsidiaries under option together with certain details relating thereto.

If, since the date to which the last published accounts were made up, capital of the company or its subsidiaries has been issued either for cash or for a consideration other than cash, the terms of such issue must be stated. Any material change in the financial position since the date of those accounts must also be given.

Where shares are to be identical, the document must set out the purpose of the issue, the estimated expenses which will produce the net proceeds; what will happen if all the shares are not taken up; whether the issue is being underwritten and changes in the capital of the company since the last accounts.

'General Undertaking'

Having secured the above information when securities first come for quotation, the stock exchange ensures the continued supply of information by requiring companies to sign what is known as a 'general undertaking'. By signing this a company undertakes to take certain administrative actions with regard to its securities; meetings of shareholders; communications of interim and final dividends; preliminary profit statements upon which a final dividend decision is taken, and particulars of any new issues of capital.

The company also undertakes to inform the stock exchange without delay of any acquisition by the company or any of its subsidiaries of shares in another company. It also agrees to supply any other information which the stock exchange may require so as to ensure that the shareholders can assess the activities of the company and prevent a false market developing in the shares. This part of the undertaking covers a wide field deliberately, because the best assurance of the right price is the complete disclosure of all information which might affect the price. By reason of the fact that draft documents are submitted to the stock exchange it is possible to ensure that statements made by the company are

expanded where necessary. For example, when a business of another company has been acquired which is material in relation to the purchasing company, the purchasing company may well be asked to issue a circular to its shareholders setting out details of the purchase together with an accountant's report on the company acquired.

This requirement of submitting proof documents together with the requirement of providing proxies enabling the shareholders to vote for or against a proposal on all matters other than those of a purely routine nature are also important steps in the cultivation of shareholder interest in the company's affairs.

The stock exchange does not lay down any special requirements as to the annual report and accounts of United Kingdom companies as the form and contents are already governed by the Companies Act, 1948. In addition the recommendations of the various bodies of accountants and particularly those of The Institute of Chartered Accountants in England and Wales carry great weight in the company world.

In regard to companies other than United Kingdom companies the stock exchange requires similar standards to those set up by the Companies Act and its own requirements, but is prepared to consider some relaxation in exceptional circumstances.

The stock exchange also welcomes semi-annual financial statements or progress reports and has informed the Government Committee at present considering a revision of company law that any legislation providing for the publication of such reports would be welcomed.

Co-operation

As the stock exchange is an independent institution not a Government controlled body its requirements do not have the force of law. It therefore depends entirely on the co-operation of the companies and the sponsoring bodies to adhere to its requests. These requirements have grown up over the years and have developed from the practice followed by the more enlightened companies and from suggestions put up by, or to, the stock exchange and agreed by the various interested professional bodies. The stock exchange persuades other companies to follow this practice. As an example of this, in 1945 the stock exchange requested companies which were either holding companies or conducted business through one or more subsidiary companies to make up and circulate consolidated balance sheets and profit and loss accounts. This was subsequently adopted by the Government when they came to enact a new Act governing companies in 1948. An example of co-operation between independent bodies occurred in 1959 when there were a large number of take-over bids being made the conduct of which was causing considerable adverse comment in the Press. A committee consisting of prominent City institutions, of which the stock exchange was one, met and produced a code of conduct to be followed for such cases. This code together with certain subsequent provisions which the stock exchange had called upon companies to produce were subsequently adopted in a Government enactment.

Detailed in previous paragraphs is the process whereby the stock exchange elicits information from companies. It now remains to show how this information is passed on to the public. In addition to advertisements in the Press, the stock exchange requires, in some circumstances, the financial information produced by companies when they first come for quotation to be reproduced in the statistical services (which are represented by the Exchange Telegraph Co Ltd and Moodies Services Ltd). In other instances these services, of their own accord, reproduce the material parts for permanent record. Current news is disseminated by passing copies of announcements made by companies to The Exchange Telegraph Co at the same time as the ordinary announcement is fixed to the notice-board on the trading floor.

The stock exchange considers that an efficient market is obtained when the above information is generally available. It means that all persons using the market, so far as is possible, can put themselves in possession of the same amount of information. If information is available to all, rumours cease to have the same value and both parties to a bargain can with reasonable confidence feel that neither has special knowledge not known to the other. This is an ideal which is sometimes difficult to attain; obviously it can never be fully reached. But it is the principle behind the requirements relating to the information to be supplied on the activities of companies quoted on the stock exchange.

Passing on Company News to the Public

Above is set out the type of information required by the stock exchange from companies. Our basic principle is to ensure as far as possible that all relevant information is available to enable investors to assess the merits of a proposition or the position of a company.

As mentioned above, a large amount of information is obtained from companies when their securities first come for quotation. At that time this information is made immediately available to the public since the stock exchange requires the company to advertise the particulars in two leading London newspapers. Much of this information is also reproduced for reference purposes in *The Stock Exchange Official Year-Book*, which is revised annually, and the statistical services. The information supplied by these statistical services is available to subscribers in the form of reference cards which are kept up to date by the substitution of fresh cards at varying intervals.

At the time companies come for quotation they are required to sign a 'general undertaking' in which they undertake in specific terms to notify a depart-

ment of the stock exchange of what may be described in general terms as relevant information which might affect the price of the shares. This information is conveyed to members of the stock exchange by means of the notice-boards which are situated on the trading floor of the House. Copies of the announcements or notices are also available to The Exchange Telegraph Co and Reuters who transmit the information on their news wire services. In this way we ensure that the public are informed through the financial sections of the Press. In many cases companies send copies direct to the Press. Daily, Sunday and weekly newspapers today devote more and more space to financial news.

The difference between the Press and the financial services is that the Press as well as reporting facts offer opinion. The services only give facts. The Press of course do not report nearly as fully on facts as do the services but the combination of opinion and fact serves the investor well. We in the stock exchange gain greatly from the critical comment of the financial Press and especially when they think facts are being withheld by a company.

All companies other than those which have exemption have to reveal all their reserves. Since the dividend paid is regarded as an important factor reflecting the financial state of the company, it is of great importance to obtain the simultaneous release of this information to all concerned.

The stock exchange tries to obtain the co-operation of directors in ensuring that information is given to the public as a whole as early as is possible. The less time that elapses the smaller is the chance of a leakage of information. As a first line of defence against a leakage the stock exchange is advised by companies of the date of such announcements. The second line of defence is the immediate release of that information.

There are naturally loopholes in the system outlined above which we do our best to seal. We are at the moment actively engaged in examining new and improved methods of passing on information.

Weekly Notes

MORE NEW YEAR HONOURS

IN last week's issue we had pleasure in congratulating members of the profession whose names appeared in the New Year Honours List. We should now like to congratulate also the following members of the New Zealand Society of Accountants who have been awarded the C.M.G.: Mr Edwin Lloyd Greensmith, M.COM., A.R.A.N.Z., Secretary to the Treasury in the New Zealand Government; and Mr Alexander Paterson O'Shea, B.COM., F.R.A.N.Z., general secretary, Federated Farmers of New Zealand.

Two further members of the profession in the United Kingdom have received the M.B.E.; they are Mr Thomas Bourne, F.C.A., senior partner in the firms of Thomas Bourne & Co, and Thompson & Sherratt, Chartered Accountants, of Burton-on-Trent, who is secretary and treasurer to the 351 (Burton-on-Trent) Squadron, A.T.C., and Lieut-Col Geoffrey Saville Smith, M.C., T.D., F.C.A., director, Field, Sons & Co Ltd, for political services in Glasgow.

MUTED OPTIMISM – OR WARNING?

THE measures adopted at the end of last July were intended to relieve pressure on sterling and to give early benefit to the balance of payments. By the end of October, states the latest Bank of England *Quarterly Bulletin*, published last week, 'it could be claimed that the short-term aims had largely been achieved'. Unfortunately, the very success that has attended these short-term measures creates 'a risk that the vigorous pursuit of longer-term policies, designed to secure increased efficiency and flexibility of the economy, will be relaxed'.

That the long-term problems are still far from being solved is evident from an analysis of the 'invisibles in the United Kingdom balance of payments', which as this journal has in the past stressed, are no longer adequate to offset the traditional deficit on the visible trade account. Nor is the importance of the invisible transactions always fully recognized, but as 'regards debits and credits, invisibles are equal to over 50 per cent of transactions on visible account', i.e. of exports and imports. The invisible items comprise four main groups of receipts and payments; (*a*) those by the Government which are mainly military, together with grants to dependent territories; (*b*) the income from British overseas investments less corresponding payments in respect of foreign investments in the United Kingdom; (*c*) the value of services provided or received in respect of shipping, travel, banking and insurance, etc.; and (*d*) gifts and similar transactions not included under Government transactions.

While it is much more difficult to obtain reliable statistical information about these 'invisibles', the subject is sufficiently well documented to enable international comparisons to be made, as well as a breakdown of the United Kingdom figures. The United States apart – which has especially heavy military and economic aid expenditures to meet – Britain is conspicuous among the West European countries for her persistent and growing deficit on Government account. A most interesting analysis of

receipts and payments of interest, profits and dividends between 1955–1960 for the United Kingdom and six other countries reveals that in the last three years the United Kingdom receipts have been declining, while those of all the other countries have been increasing. In fact, the United Kingdom invisible balance between 1958–60 has deteriorated by some £200 million and the causes of this fall cannot be attributed to any single experience; rather the decline is evident in all the components. When the European picture is studied overall, the conclusion 'seems inescapable that in many fields the United Kingdom's recent experience has been notably worse than that of other countries'.

PLANNING WAGES

THE current issue of *Crossbow*, the quarterly political journal has a pamphlet by Professor Thomas Wilson, Adam Smith Professor of Political Economy at Glasgow University, on 'Planning and growth' and deals with the proposed plan for wages and personal incomes. Professor Wilson thinks that the strongest argument for it is that the feasible arguments for alternative schemes are so poor.

Discussing the problems facing the National Economic Development Council he says that it would be hopeless to try and determine the earnings of every grade of labour in all places of employment. Only the national rates should be tackled. Further, part of the trouble arises because wage demands come in at various times and the aggregate effect seems not to be labour's concern. This is the same point as the Cohen Committee made about the problem of ensuring that wage increases were related to average productivity in industry and not to the rate of productivity in the most efficient industries.

Thirdly, he thinks it would be necessary to persuade the unions where productivity was growing fast to accept less than proportionate rises in wages. The reason for this would be that in the more stagnant industries the unions would want to keep wages in some relationship with those in more progressive industries. He also thinks that the Council might be able to deal with other personal incomes but it could not control total profits.

He is sceptical of the influence the T.U.C. would have on its member unions since it can only advise and guide and cannot commit its members to a decision made by the Council.

Professor Wilson comes to the conclusion that planning on the Monnet lines (that is, of the French variety) will not succeed in bringing about the hoped for psychological change if it is adopted in Britain in the tepid, cautious way which a scientific assessment would warrant. It would have to be done with vigour and enthusiasm involving an act of faith by the Government. The alternative is for the Government to abandon any such idea of planning and to concentrate on creating an environment favourable to growth. While one is bound to accept, to a degree, Professor Wilson's cautious attitude to planning, the history of such recent international ventures as the Iron and Steel Community and the European Common Market, suggests that planning and enthusiasm can be reconciled provided that the planning is not doctrinaire and that the planners move with the consent of the representatives of those who are being planned for and do not try to plan the details as well as the broad lines of advance.

DECIMAL COINAGE AND THE METRIC SYSTEM

A USEFUL explanatory note has been issued by the Economic League (No. 721 of January 1962) on the issues involved in Britain's proposed adoption of decimal coinage, and a metric system. The leaflet makes a useful contribution towards clarifying the issue, which is apt to be commonly confused, on the difference between a decimal and a metric system. It also goes into the question of which would be the best unit of account to use for a British decimal coinage system.

It points out that so far as decimal coinage is concerned there is general approval in the United Kingdom for its adoption. It points out that a number of influential bodies, including The Institute of Chartered Accountants in England and Wales, have come down in favour of this system. The pamphlet states that this is a domestic matter and the two main issues involved are the cost of the change-over, which is mainly a question of converting machines, and the confusion to the general public. While, it says, the disadvantages are transitional, the advantages would be perennial. The pamphlet makes the point that the recent experience in South Africa proved a change-over to be easier and less costly than was expected.

On the other hand, the adoption of a metric system would be a far more complicated matter, for there is a big international vested interest in the 'inch-pound' system. This system is used in the United States, Canada and in other parts of the Commonwealth as well as in Britain and while there is a wide usage of a metric system among scientists throughout the world, there is in fact a growing commercial usage of the 'inch-pound' system as the world trade of the United States and the British Commonwealth expands. The pamphlet concludes by saying that there are great advantages in the spread of education in metric usage and the elimination of archaic imperial measures.

OFFICE CONGESTION IN LONDON

IN a study by the Town and Country Planning Association a recommendation is made for measures to be introduced to stop and gradually put into reverse the growing volume of office accommodation in London. A summary and conclusions of the expert

study group which was appointed a year ago, was published this week. This will be sent to the Government and the detailed results of the investigation will be published in a report at the end of January.

Unless such a policy of control on office employment is initiated, the summary says that the public cost of dealing with congestion will mount alarmingly. It goes on to say that if Britain enters the European Common Market further forces may be set to work to concentrate offices in the south-east. It adds that this year may well be the last opportunity for central government to initiate an effective policy.

It says that the basic problem is that the trend of places where people work and where they live are in direct conflict, resulting in more people travelling long distances to work in central London. Nevertheless, it goes on, severe overcrowding continues in London and the root cause of this, and the disturbing plight of homeless families, is the great excess of employment in London. It states that many concerns could well expand their offices in the outer suburbs or beyond with gains in efficiency and cost. Offices should be decentralized on towns between twenty and forty miles from Charing Cross which are at present largely dormitories, on the new towns and on the larger towns forty to eighty miles away which should be substantially expanded to counter London's pull. The same applies to the large provincial cities.

This is My Life . . .

by An Industrious Accountant

CHAPTER 106

IT seems that the profession has been the target again. I notice from *The Accountant* of December 23rd, that what it aptly terms 'that professionally infamous feature', 'A Tune on the Old Tax Fiddle', was broadcast by I.T.V. on the previous Sunday. This was the original 'Professional Portrait' of October 1960, for which the B.B.C. 'expressed regret'; I hadn't expected it to raise its ugly head again.

There are two rather disquieting aspects of this sort of lampoon. Firstly, of course, it typifies the present tendency to harp on the humorous side of the accountant, without counterbalancing it by anything more complimentary. Remember the fun poked at the work-study man and his misjudged economies on the stage: '. . . but look at the time I save!' Or the brilliant but biting impression, in *I'm all right, Jack*, of the accountant watching the workmen through his binoculars. While *Guilty Party* at the St Martin's is anything but flattering to us.

But we can take these jibes; no profession is immune from them. One's only regret is that we have never as a profession adequately replied in kind.

It is true that 'official' reaction in 1960 was most creditably quick and sharp. There was an apology from the B.B.C.; and the subsequent radio discussion when two members of the Council expressed cogently and eloquently the views of the Institute. This undoubtedly contributed most valuably to our professional prestige amongst those who listened to this feature. But that was all. No counter-attack has since been mounted.

Let's face it, radio and television present new problems; but also, let us not forget, new opportunities as well. These media are based on entertainment value; they cater for the masses; they must be slick and gay. Danny Kaye would draw ten times a greater audience than a panel made up of Aristotle, Plato, Euclid and Aquinas. I dream of a TV series which would hold young and old entranced, calling them from 'Panorama' and 'Robin Hood' and 'Wagon Train', proudly featuring an accountant and his exploits, making our ethics and our services household words. What about 'Accountants through the Ages', isn't it a natural?

Look at Olivier tapping his snuff-box: 'Egad, Sir Jasper, you hold an accountant's honour plaguey light that you ask me to sign yon knavish prospectus. Yet methinks I spy a brace of silver-mounted pistols on yonder wall, and you were once counted the best shot in Watiers. Shall we say coffee for one?'

Or Redgrave serene but firm: 'My lips are sealed, Sire. Ere they divulge the secrets of her ladyship's expense account you may well see an auditor spill his blood at Tyburn as freely as ever he spilt ink.'

Richardson would be more choleric, slamming his palm on the table: 'Ye schemin' muckrakers, there'll be nobbut straight dealings with t'trust foonds. Ba goom, no Bradford bairns will hunger through your devilry!'

It could be played for laughs, too, with perhaps a fatly cheerful sluggard with a heart of gold; or Carmichael as the luckless lad who always got into trouble; and of course, enough pretty typists and the like to have the teenagers fighting for front places. And I rather fancy a lady accountant as an enigmatic, provocative, *femme fatale*: cold and severe at first sight, but with hidden fires: 'Were I but free! But disclosure of my father's take-over plans would rock Lombard Street to its foundations.' Behind each story might follow the whole pageant of England's history, with its directors, employees, speculators, barons, prentice boys, cardinals, free-traders, moneylenders, kings, . . . and accountants.

Ambitious, may be; would need a deal of shaping and reshaping. But there's a wealth of incident and exploit untapped; and unless we reveal our own story, unless we fight for our own corner, no one else will do it for us.

Finance and Commerce

Montague Burton

THIS week's reprint presents the accounts of Montague Burton Ltd, the tailors, showing the results of the sixtieth year of trading. Probably few of the group's customers realize what a tremendous organization they are dealing with: over 16,000 employees; more than 700 manufacturing and retail properties; a made-to-measure output of the order of 50,000 suits a week, in addition to the 'ready-to-wear' trade. The group now is composed of the merger, in 1953, with Jackson the Tailor; of Peter Robinson, with stores in Oxford Circus and the Strand, London, and nine in the provinces; and Brown's of Chester, an old-established comprehensive store.

The merger with Jackson followed the Burton crisis in 1952 when events combined to wreck a position that had appeared unassailable. There was a phenomenal drop in the price of Australian wool; Burton, caught with heavy stocks of material, lost about £1 million and owed more than £5 million to the bank. As if that was not enough for the share market to swallow, Sir Montague Burton died and to current fears was added the anticipation that large blocks of stock might have to be sold to meet death duties.

Jackson the Tailor came in to give Mr Lionel Jacobson, the son of its founder, to the new combination as chairman.

New Valuation

The highlight in these accounts is the new valuation for the properties. 'Next' accounts would be more accurate because the valuation by Messrs Healey & Baker is dated September 1st. Freeholds and leaseholds now appearing in the group accounts at £14,320,267 after depreciation are now valued at

MONTAGUE BURTON LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st AUGUST, 1961

1960 £	£		£	£
3,914,492		**GROUP TRADING PROFIT** (Notes 1 and 2)		4,438,950
		Interest and dividends receivable:—		
8,886		Government securities	10,447	
1,000		Trade investments	1,946	
	9,886			12,393
	46,689	Surplus on redemption of debentures and preference shares		53,884
	3,971,067			4,505,227
135,765		*Deduct:* Interest on debentures and secured loans	134,656	
25,568		Bank interest payable (less sundry interest receivable)	89,154	
	161,333			223,810
	3,809,734	**PROFIT FOR THE YEAR BEFORE TAXATION**		4,281,417
		Deduct: Taxation based on the profit for the year		
428,000		Profits tax	574,000	
1,514,000		Income tax	1,652,000	
1,942,000			2,226,000	
25,000		Less: Amounts provided in earlier years not required	110,000	
	1,917,000			2,116,000
	1,892,734			2,165,417
	3,204	Less: Amount attributable to outside shareholders in subsidiaries		4,629
	1,889,530	**PROFIT ATTRIBUTABLE TO MEMBERS OF HOLDING COMPANY**		2,160,788
		Deduct:		
		Appropriations to capital reserves		
		Debenture redemption reserves		
111,314		Montague Burton Limited	117,993	
13,531		Subsidiary	18,930	
2,750		Capital redemption reserve of a subsidiary	4,815	
127,595			141,738	
		Dividends of Montague Burton Limited for the year, less income tax		
122,500		Preference	122,500	
1,268		Less: Amount payable to a subsidiary	1,268	
121,232			121,232	
		Ordinary		
204,804		Interim of 7½% (1960—7½%)	204,804	
546,145		Proposed final of 20% (1960—20%)	546,145	
750,949			750,949	
	999,776			1,013,919
	£889,754	**BALANCE OF PROFIT RETAINED** including £780,822 (1960 £580,503) dealt with in the accounts of the holding company		£1,146,869

MONTAGUE BURTON LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET, 31st AUGUST, 1961

1960 £	£		£	£
		ISSUED SHARE CAPITAL OF MONTAGUE BURTON LIMITED		
7,458,326		Less: 29,575 7% Cumulative preference shares held by a subsidiary	7,458,326	
29,575	7,428,751		29,575	7,428,751
		CAPITAL RESERVES		
7,500		Premium on issue of preference shares of a subsidiary	7,500	
59,510		Capital redemption reserve of a subsidiary	64,325	
1,051,453		Debenture redemption reserves	1,188,376	
		Others, including profits on sales of investments and properties and surpluses on changes in tenure of properties (£87,323 profits less losses on sales of properties arising in the year)		
3,580,501	4,698,964		3,667,824	4,928,025
		REVENUE RESERVES		
1,000,000		General reserve	1,000,000	
3,922,656		Profit and loss accounts	5,069,525	
	4,922,656			6,069,525
	17,050,371			18,126,301
	1,530,000	**FUTURE INCOME TAX** Amount set aside for income tax schedule D 1962/63		1,696,000
	94,029	**INTERESTS OF OUTSIDE SHAREHOLDERS IN SUBSIDIARIES**		174,651
		DEBENTURES AND SECURED LOANS		
3,263,159		Montague Burton Limited	3,128,388	
		Subsidiaries		
364,151		4% First mortgage debenture stock (*Note 5*)	327,693	
85,511		Loans secured by mortgages on certain properties	265,185	
3,712,821			3,721,266	
		Less:		
		Owned by subsidiaries		
18,843)		Montague Burton Limited 3½% first mortgage debenture stock	(10,043)	
(309)		Subsidiary's 4% first mortgage debenture stock	(309)	
	3,693,669			3,702,114
	£22,368,069			£23,999,066

L. JACOBSON
R. M. BURTON } *Directors.*

1960 £	£		Cost £	Depreciation and amounts written off £	£
		FIXED ASSETS			
13,511,066		Freehold and leasehold properties, structural alterations and shop fronts	16,237,746	1,748,382	1,917,479
2,125,334		Factory plant, equipment and motor vehicles	2,397,287	1,265,001	1,367,694
3,369,766		Branch fixtures and fittings	4,044,700	1,736,389	1,951,858
19,006,166			22,679,733	4,749,772	5,237,031
1,602,381		Goodwill	2,646,655	6,000	6,000
£20,608,547			£25,326,388	£4,755,772	£5,243,031
	15,852,775	Cost less depreciation and amounts written off			20,083,357
	146,059	Investments held by trustees for first mortgage debenture stockholders at cost less amount written off (market value £148,461—*1960* £146,070)			148,568
	68,083	Trade investment at cost			70,770
	16,066,917				20,302,695
8,436,413		**CURRENT ASSETS** Stock in trade (*Note 6*)	9,238,693		
3,734,617		Trade and other debtors and prepayments less provision for doubtful debts	4,532,151		
127,195		British Government securities at cost less amount written off (market value £121,302 —*1960* £127,137)	121,374		
648,951		Balances at bankers and cash in hand	432,876		
£12,947,176			£14,325,094		
		LESS: CURRENT LIABILITIES AND DIVIDENDS			
3,768,835		Trade and other creditors and accrued charges	4,273,251		
306,320		Amount due to bankers	3,191,833		
1,973,748		Taxation	2,566,327		
50,976		Dividends accrued on preference shares, less income tax	51,167		
546,145		Proposed final dividend on ordinary shares, less income tax	546,145		
£6,646,024			£10,628,723		
	6,301,152	**EXCESS OF CURRENT ASSETS OVER CURRENT LIABILITIES**			3,696,371
	£22,368,069				£23,999,066

£42,073,450 excluding the value of leaseholds where the lease expires within seventy-five years. There is, therefore, a surplus of assets over book values of £32,753,183, which will be added to the capital reserve standing in the accounts now presented at £4,928,025.

The reserve is being drawn on to support a capitalization in the form of three 'A' non-voting Ordinary shares of 10s each for each 10s Ordinary or 'A' Ordinary held on December 29th. Issued Ordinary capital is thus raised to £17,833,304. And there is the warning that this is no indication of larger dividends in future.

From what one hears of Mr Jacobson and the Press conference at which the company's preliminary figures were handed out, the chairman is not over-enthusiastic with a £32¾ million property revaluation surplus – just a matter of a bit more in the balance sheet. His business mind works for the results that can be obtained through the use of the properties and that, basically, is undoubtedly the right attitude. Since 1953, says Mr Jacobson in his statement with the accounts, 'the market value of group shares improved approximately fifteen times'.

In Ireland

THERE is a familiar tone in the statement by Mr Declan Dwyer, chairman of Seafield Fabrics Ltd, of Youghal, County Cork. Naturally, Mr Dwyer presents Irish affairs from an Irish angle, but his criticisms echo what has been said in the United Kingdom under similar circumstances.

In the field of depreciation alone, he says, it was not until 1958, thirteen years after the war, that any effort was made to deal even partially with the question of replacement allowances for plant and machinery and these never measured up to what obtained in other countries. Industrialists are being urged, says Mr Dwyer, to get plant and equipment to that state of efficiency required to deal with Common Market competition, but the Government should realize that this is impossible unless Irish

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MONTAGUE BURTON LIMITED AND SUBSIDIARIES

NOTES TO ACCOUNTS

1. Group trading profit is stated after charging:

	1961	1960
	£	£
Provision for depreciation (see below)	616,008	524,648
Fees of trustees for debenture stockholders	2,063	2,062
Auditors' remuneration (including subsidiaries) of which £1,100 relates to the previous year	12,919	9,510

The provision for depreciation shown above is in respect of properties, plant, fixtures, etc., excluding freehold shop properties and leasehold shop properties having a life greater than 50 years.
The net amount to which the structural alterations and shop fronts have been written down for balance sheet purposes is £775,021 (*1960 £693,006*).
Capital allowances for taxation purposes are not available in respect of this balance and future depreciation charges aggregating this amount will, therefore, have to be made without relief from taxation. The amount of such depreciation for the year 1961, £154,367 (*1960 £132,681*), exceeded the expenditure during the year on renewals of shop fronts, capitalised in the accounts but allowable for taxation purposes, by £50,634 (*1960 £92,084*).
The emoluments of the directors of Montague Burton Limited in accordance with section 196 (1) of the Companies Act, 1948, were:

	1961	1960
	£	£
Fees	3,750	4,000
Other emoluments	84,202	82,248
Pensions of past directors	2,391	3,000

The financial year of one subsidiary ending 31st March has not been altered to 31st August as the directors consider the latter date inappropriate to its operations.

4. The 3½% first mortgage debenture stock of Montague Burton Limited is redeemable:
(1) By 1986 at or under 101% by the application of an annual sinking fund of £41,000, together with a sum equivalent to gross interest on stock previously so redeemed commencing 31st December, 1947;
or (2) On three months' notice being given by the company
(*a*) Before 1st July, 1966 at 102%, or
(*b*) On or after 1st July, 1966 at 101%.
In each case together with interest accrued thereon to date.
Any stock not previously redeemed will be paid off at 101% on 31st December, 1986.

5. The 4% first mortgage debenture stock of a subsidiary is redeemable:
(1) On or before 1st January, 1984, at or under 102% by application of an annual sinking fund of £5,250, together with a sum equivalent to gross interest on stock previously so redeemed;
or (2) At any time on three months' notice being given by the company, at 105% together with interest accrued thereon to date.
Any stock not previously redeemed will be paid off at 102% on 1st January, 1984.

6. The amounts included for stocks have been determined on bases and by methods of computation considered appropriate in the circumstances of the businesses of the company and its subsidiaries and those bases and methods have been applied consistently.

7. The considerations not provided for on contracts uncompleted were:

	Company		Group	
	1961	1960	1961	1960
	£	£	£	£
(*a*) In respect of capital expenditure on extensions, rebuilding and additions to plant	600,000	335,000	789,700	659,700
(*b*) In respect of purchases of properties	265,500	6,750	472,400	71,350
(*c*) In respect of sales of properties	33,000	—	33,000	—

8. The Company has:
(*a*) Guaranteed the deposits and interests of employees with Montague Burton Savings Bank Limited.
(*b*) Undertaken under certain conditions to subscribe at par for 33,000 ordinary shares of £1 each in Montague Burton Estates Limited.

9. 85,675 5% Redeemable cumulative preference shares of £1 each of a subsidiary held by outside shareholders are redeemable at any time upon three months' notice at 23/– per share.

industry is given the same encouragement as is given by the Governments of the Common Market countries. It is time the Irish Government changed the direction of its financial policy towards industry, he says.

That point about the need for equality of Government encouragement is one that may well loom large in Britain as the prospect of Common Market participation comes closer.

Anti-dumping

MR FRANK A. HURST, chairman of Samuel Osborn & Co Ltd, the Sheffield steel company, expresses surprise on the Common Market proposals, 'at the ready way many have expressed themselves as being positively for or against, because none of us really has grounds on which we can decide'. He can only hope that 'our negotiators will competently be able to appraise the advantages and disadvantages'. Some of the Commonwealth countries, he says, should not regard the Commonwealth as a 'one-way street'. If they want Imperial Preference terms, they should not impose 'harsh restrictions' on our exports to them.

Mr Hurst advocates 'quick measures for the implementation of the provisions of the Customs Duties (Dumping and Subsidies) Act, 1957, when the necessity arises. And one way to speed up procedure would be to require invoices for goods imported here to bear a declaration of 'current domestic value'. This information would be required in an application for imposition of a dumping duty and would take a long time, he says, to establish. He would be satisfied if this were required only in the case of those countries which demand it from us. Other Governments, he says, are apparently more ready to aid their manufacturers.

One begins to wonder whether there is any Government in this world that earns the approbation of the industrial and business community.

CITY NOTES

STOCK-MARKETS still find it difficult to summon up any real enthusiam. Special shares enjoy bursts of activity on company news or on take-over rumours, but by and large there is not a lot to attract buyers.

In the past week the City has been awaiting the Chancellor's latest proposals in regard to the 'pay pause', and there is little doubt that the domestic situation is still the predominating factor for investors. Although political and economic influences from overseas have their reflection, and indeed the Common Market is still an important factor, the immediate concern is with home economy.

Every chairman's speech, however optimistic it may be, contains a proviso in regard to economic prospects. That is likely to remain so until the outlook is clearer – and could well mean until after the Budget.

Some sections of the market have special problems. Iron and steel, for instance, find scant encouragement in chairman's comments. Under-capacity production and rising costs not recovered by selling prices, are big problems. Textiles, too, look ahead with caution, and here the result of the latest Courtaulds–I.C.I. talks is awaited with keen interest – but with little effect on share prices.

It is noticeable, too, that overseas interest in the London market has been much less a factor than in the recent past, but support for gilt-edged stocks did come in on news of the plan to enlarge the International Monetary Fund. This, it is thought, could be particularly helpful to sterling and so assist the movement towards a lower Bank rate. Foreign institutions were buyers of Funds during the week and such support gave that market a more cheerful appearance, but home industrials seem a trifle suspect with overseas buyers.

RATES AND PRICES

Closing prices, Wednesday, January 10th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Nov. 3	£5 8*s* 6·10*d*%	Dec. 8	£5 6*s* 5·34*d*%
Nov. 10	£5 8*s* 5·49*d*%	Dec. 15	£5 6*s* 4·83*d*%
Nov. 17	£5 7*s* 9·71*d*%	Dec. 22	£5 7*s* 3·18*d*%
Nov. 24	£5 7*s* 9·40*d*%	Dec. 29	£5 8*s* 0·72*d*%
Dec. 1	£5 7*s* 1·08*d*%	Jan. 5	£5 8*s* 7·81*d*%

Money Rates

Day to day	4⅜–5½%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5⅝–5 11/16%
Fine Trade Bills		3 months	5⅝–5 11/16%
3 months	6¾–7½%	4 months	5⅝–5 11/16%
4 months	6¾–7½%	6 months	5⅝–5¾%
6 months	7–8%		

Foreign Exchanges

New York	2·80 15/16–·81 1/16	Frankfurt	11·21⅞–·22⅛
Montreal	2·93¾–15/16	Milan	1744½–5
Amsterdam	10·12⅛–⅜	Oslo	20·03½–¾
Brussels	139·89¼–·90¼	Paris	13·77–½
Copenhagen	19·33¾–·34	Zürich	12·13⅝–⅞

Gilt-edged

Consols 4%	59⅜	Funding 3% 59–69	82¾
Consols 2½%	38 9/16	Savings 3% 60–70	80
Conversion 5¼% 1974	92 3/16	Savings 3% 65–75	70⅝xd
Conversion 5% 1971	90 11/16	Savings 2½% 64–67	85⅛
Conversion 3½% 1969	86 1/16	Treasury 5½% 2008–12	85⅛
Conversion 3½%	53⅜	Treasury 5% 86–89	82 13/16
Exchequer 5½% 1966	98 7/32	Treasury 3½% 77–80	69¾
Funding 5½% 82–84	90¼xd	Treas'ry 3½% 79–81	68 9/16xd
Funding 4% 60–90	89 1/16	Treasury 2½%	38 9/16
Funding 3½% 99–04	57½	Victory 4%	94
Funding 3% 66–68	83⅜	War Loan 3½%	53⅛

Electronics in the Office

Decimalization Change-over

FOLLOWING the Government's decision in principle in favour of a change-over to decimal coinage, International Computers & Tabulators announce that plans have already been made for the conversion of data-processing machines in customers' premises, and for the supply of technical aid to assist in the change-over. These plans have taken into account the experience the company has gained in India and South Africa.

An I.C.T. computer will be used to establish a conversion programme, so that the change from sterling to decimal notation can be effected in a short time, with minimum dislocation of established mechanized accounting routines.

Computer for 'B.O.L.S.A.'

THE first overseas bank in the United Kingdom to use an electronic computer for its foreign operations is to be installed at the London branch of the Bank of London and South America. The computer – an English Electric KDP 10 data processing system valued at about £200,000 – will be used initially in the handling of current accounts and statements as well as all dealings of the bank's foreign exchange department.

A computer team selected from the bank's London staff is already receiving tuition in the programming and operation of the system at the English Electric Computer Training School.

KDP 10 is extremely versatile and is designed to provide at minimum cost complete data processing services for medium-sized commercial and public undertakings, and to expand with the needs of growing concerns. The system handles information in alphabetical or numerical form received from magnetic tape, paper tape, or punched cards. Normal output is by high-speed line printer. For maximum reliability in operation, solid-state devices and printed circuits are used throughout.

Computer Bibliography

NOW in its eighth year of publication, the quarterly bibliography, '*Titel von Veroffentlichungen uber Analog- und Ziffernrechner und Ihre Anwendungen*' (Titles of publications on analogue and digital computers and their applications), has proved particularly useful for institutions and firms concerned with the construction and application of digital or analogue computers or electronic data processing equipment.

Jointly edited by the *Deutsche Forschungsgemeinschaft* (DFG) at Bad Godesberg and the Provisional International Computation Centre (PICC) in Rome, the bibliography has been internationalized by giving an English translation of the German text. In this way, it is hoped that a still larger public will be able to profit from the bibliography, in spite of the fact that it does not contain reviews; it does, however, indicate the subject-matter of papers.

In the entire field of analogue and digital computers and their applications, about 150 specialized periodicals as well as newly published books and conference reports are continually collected and evaluated. The material includes a collection of industrial publications research reports from university institutes and other development centres. Marginal fields, e.g. cybernetics mechanical language translation, automatic documentation, and numerical control of machine tools are also included.

Further information relating to the service is obtainable from the publisher, Franz Steiner Verlag GmbH Bahnhofstraße 39, Wiesbaden, Germany.

Royal Navy Installs new Stock Control System

UP-TO-DATE stock records of 90,000 different types of naval stores for H.M. ships, held at the Royal Navy Stores Depot at Copenacre, Wiltshire will soon be maintained by an EMIDEC 1100 computer which was recently delivered to the Depot by EMI Electronics Ltd.

The computer, which will include several magnetic tape units, will also maintain lists of components for each of some 1,500 different types of electronic equipment and will work out complete lists of components needed – which may run to several hundred items for a single set – look up the stock record and confirm availability, debit the stock record and prepare printed invoices for the items to be dispatched to the ships.

Other tasks which the computer will perform include the calculation of future requirements of stores to be ordered from manufacturers, and the recording of subsequent contracts placed and deliveries received. After commissioning and final acceptance tests, it is expected that the computer will gradually start taking over the above work in the course of the summer of 1962.

New Computer Bureau for Birmingham

A COMPREHENSIVE computer service bureau is shortly to be established in Birmingham by Computer Services (Birmingham) Ltd, who have ordered for the purpose a UNIVAC Solid State 80 high speed, general purpose computer system at a cost of approximately £100,000.

The machine at the new bureau will include a central processor with 30,000 digits of storage; high speed 80-column card reader capable of handling 600 cards per minute; high-speed line printer (600 lines per minute) and a 80-column card read-punch unit (150 cards per minute.) It is anticipated that the computer will ultimately be operated twenty-four hours a day, seven days a week. Computer Services estimate that they can produce in one hour of computer running either a payroll for 5,000 employees, or 2,000 sales invoices, or a stock control run for 5,000 stock items, or statistical analyses of 25,000 items.

The hire charge for the use of the computer bureau is £20 per hour. The cost of a payslip, for example will be between 4½*d* and 9*d*. A service for system analysis and programming is also available. Punched card (80-column) will be accepted for processing by the bureau, and punched paper tape input is being considered. The punched cards may be prepared either by the user or by Computer Services who have extensive facilities for this purpose; at present 30 staff are employed on a wide range of punched card and paper tape equipment.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, January 3rd, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President, in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. F. Allan, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, J. S. Heaton, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, C. U. Peat, M.C., L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, J. E. Talbot, V. Walton, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Committee on Relations with the Universities

At its meeting on October 4th, 1961, the Council decided to endeavour to obtain closer collaboration with the universities and for this purpose appointed a committee with the following terms of reference:

'To consider methods by which closer collaboration with the universities might be achieved.'

The committee has now been constituted and its members are:

Mr P. F. Carpenter, Sir William Carrington, Messrs E. Hay Davison, J. A. Jackson, Bertram Nelson, E. K. Wright.

Terminology in Published Accounts

On the recommendation of the Parliamentary and Law Committee, following consideration of a draft submitted by the Taxation and Research Committee, the Council has approved notes on *Terms used in Published Accounts of Limited Companies* for issue to members for insertion in the *Members' Handbook*. The distribution will be made in February 1962. Thereafter the notes will also be available for purchase in booklet form on application to the offices of the Institute, price 5*s* per copy, post free. (*Remittances must accompany orders.*)

Admissions to Membership

The following were admitted to membership of the Institute:

Brandwood, John Noel, M.A., A.C.A., *a*1962; 112 Eaton Road, West Derby, Liverpool 12.

Bright, Christopher John, B.A., A.C.A., *a*1962; 65A Fitzgeorge Avenue, London W14.

Brown, Bryan William, A.C.A., *a*1962; 1D Sisters Avenue, London SW11.

Downey, William James, B.A., A.C.A., *a*1962; Yew Tree Cottage, Clive Road, Esher, Surrey.

Fernando, Chrisanta Francis, A.C.A., *a*1962; 32/1 Barnes Place, Colombo 7, Ceylon.

Harley, Keith, A.C.A., *a*1962; 4 Temple Park Gardens, Halton, Leeds 15.

Howell, Owain Morgan Rhys, B.A., A.C.A., *a*1962; 'Marland', Narbeth, Pembrokeshire.

§Parker, Brian Courtenay, A.S.A.A., *a*1962; with Clothier, Poole & Dreyer, 1014 Mutual Buildings, Harrison Street, Johannesburg.

Reid, Graham Alexander, A.C.A., *a*1962; 1 Lancaster Drive, Swiss Cottage, London NW3.

Stevenson, Barry Barr, A.C.A., *a*1962; 'Thornhayes', Wilton Road, Beaconsfield, Bucks.

§Stirling, Patrick Charles Ternent, A.S.A.A., *a*1962; 22 St Andrews Road, Parktown, Johannesburg.

§Sumner, Michael Lloyd, A.S.A.A., *a*1962; with Emanuel Jacobson, Manion & Alleson, Suite 12, Harfield House, Field Street, Durban, South Africa.

Thornton, Thomas Coulton St Leger, A.C.A., *a*1962; 'The Grange', Oldcotes, Worksop, Notts.

Wade, Martin Harold, A.C.A., *a*1962; 174 Hill Lane, Southampton.

Registration of Articles

The Secretary reported the registration of 253 articles of clerkship during the last month, the total number since January 1st, 1961, being 3,240.

Articles and Examinations

The following applications under various bye-laws relating to articles and examinations have been granted or refused during the six months ended December 31st, 1961:

	Granted	*Refused*
Bye-law 57: Permission to follow another business or occupation while under articles to the limited extent specified in the application	12	—
Bye-law 58 (c): Permission to spend up to six months in an industrial, commercial or other suitable organization during articled service	13	—
Bye-law 61: Reduction in service under articles	13	4
Bye-law 63 (c): Reduction in service under articles for former regular officers	3	—

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

	Granted	Refused
Bye-law 79: Exemption from the Preliminary examination by virtue of age and experience in a member's office	8	—
Bye-law 81: Permission to sit the Intermediate examination earlier than normally eligible	1	4
Bye-law 85 (b): Exemption from the Intermediate examination ..	10	3
Bye-law 86 (a): Permission to sit the Final examination, after completion of articled service, earlier than normally eligible	5	3

Fellowship

The Council acceded to applications from 14 associates to become fellows under clause 6 of the supplemental Royal Charter.

1,148 associates became fellows on January 1st, 1962, in accordance with clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Porter, William Thomas, F.S.A.A., *aS*1923; with H. W. Pople, F.C.A., 11 Rumford Street, Liverpool 2.

F.S.A.A.

The Council acceded to one application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

66 incorporated accountant members A.S.A.A. became F.S.A.A. on January 1st, 1962, in accordance with clause 7 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Bentley, John David Greer, A.C.A., *a*1959; †Booth, Anderson & Co, 9 West Mills, Newbury, Berks, and at Compton, Berks.

Bew, Philip David, A.C.A., *a*1960; 11 Iron Gate, Derby.

Braham, Michael Alan, A.C.A., *a*1961; Wallace Cash & Co, Hillgate House, Old Bailey, London EC4.

Carter, Henry Philip, B.A., F.C.A., *a*1950; Gimson & Co, Pensioners' Court, Charterhouse, London EC1.

Coleman, Malcolm Jerry, A.C.A., *a*1961; Coleman & Co, 7 Westchester House, Seymour Street, London W2.

Davis, John Brian, A.C.A., *aS*1955; 36 Hillswood Drive, Endon, Stoke-on-Trent.

Evans, William Humphrey, F.C.A., *aS*1949; Cook & Co, 87 Lord Street, Liverpool 2, and at Manchester.

Harper, Thomas John, A.C.A., *a*1958; 'The Limes', Cowbridge, Glam.

Hills, Anthony John, A.C.A., *a*1961; Blackham & Hills, Ruskin Chambers, 191 Corporation Street, Birmingham 4

Hutchings, John Attwood, M.A., A.C.A., *a*1956; †Chalmers, Wade, Impey, Cudworth & Co, St Alphage House, Fore Street, London Wall, London EC2; for other towns see †Chalmers, Wade, Impey, Cudworth & Co.

Jones, Graham Radclift, A.C.A., *aS*1955; *Henson, Jones & Co, 38A High Street, Newport, Mon, and at Portypool.

Keighley, Laurence, A.C.A., *a*1959; Charles E. Dolby & Son, 11 Dale Street, Liverpool 2.

Lewis, Norman Cyril, A.C.A., *a*1959; Norman Lewis & Co, 54C Ilford Lane, Ilford, Essex, and at London.

Mayho, Thomas Clifford, B.SC.(ECON.), F.C.A., *a*1943; Boyce, Welch & Co, Netherwood Chambers, 1A Manor Row, Bradford 1, and at London.

§Monk, Alan A.S.A.A., *a*1961; ††H. B. Britcliffe & Co, 15 Avenue Parade, Accrington, Lancs.

Mooney, Brendan Ignatius, A.C.A., *a*1961; George C. Wilkinson & Co, South House, 136 Borough Road, Middlesbrough, and at Redcar, Yorks.

Pentin, David John, A.C.A., *a*1959; *Pentin, Neame & Co, 17/19 St George's Street, Canterbury, Kent, and at Hythe, Kent.

Posner, Jack Louis, A.C.A., *a*1954; Garner & Co, 19 Windmill Hill, Enfield, Middlesex.

Rata, Derek Hugh Kinnaird, A.C.A., *a*1961; Martin, Rata & Partners, 86A Regent Street, Cambridge, and at London.

Saltmarsh, Richard Malcolm, A.C.A., *a*1960; 34 Woodstock Road North, St Albans, Herts.

San, Jimmy Mun Foo, A.C.A., *a*1958; San & Co, 72 Hanbury Road, Dorridge, Solihull, Warwicks.

Snow, Geoffrey Bernard, A.C.A., *a*1961; A. B. Snow, Wood & Co, 10 Pall Mall, Hanley, Stoke-on-Trent.

Stirling, Alfred Patrick, A.C.A., *a*1961; 35 Kelsey Way, Beckenham, Kent.

Tarn, Stephen Ian, A.C.A., *a*1958; *Chambers, Tarn & Co, 60 Borough Road, Middlesbrough.

Tidbury, Oliver Clifford, F.C.A., *a*1940; George Gradon & Co, Finsbury House, Blomfield Street, London EC2.

Trotter, Neville Guthrie, B.COM., A.C.A., *a*1955; Bolton, Wawn & Co, Alliance House, Hood Street, Newcastle upon Tyne 1, and at Sunderland.

Admission to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 4 and one application under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Readmission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was readmitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

Resignations

The Council accepted the resignations from membership of the Institute of:

Hemsley, Cyril Montague, F.C.A., 3 Highdown Avenue, Worthing, Sussex.

Hulme, Leslie James, F.C.A., Highlands Farm, Cox Park, Gunnislake, Cornwall.

Thomas, Herbert Gordon, O.B.E., B.A., F.C.A., Creeks B, Six Turnings, Mylor Bridge, Falmouth.

Watson, John, F.S.A.A., 'The Counts', Carlisle.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Eric Harold Ascher, F.C.A., London.
,, Charles Oldfield Bartley, F.C.A., Twickenham.
,, Wilfrid Bentley, F.S.A.A., Newton Abbot.
,, William Ernest Blinkhorn, F.C.A., Bolton.
,, Bernard Harry Brigham, F.C.A., Harpenden.
,, Robert James Chapman, F.C.A., Chester.

Mr Douglas Trevor Davies, F.C.A., Warrington.
„ Vivian Edwards, F.C.A., Florida.
„ Robert Henry Farrar, A.C.A., London.
„ Kenneth Revell Gray, F.C.A., London.
„ Ernest Raymond Gregory, F.C.A., Bridgwater.
„ Arthur Morris Hobbs, F.C.A., London.
„ Reginald Horsefield, F.C.A., Manchester.
„ Gordon Scott Kerr, F.C.A., London.
Mr Robert Joseph Knight, F.C.A., St Albans.
„ Geoffrey Wilfred Martin, F.C.A., Westbury, Wilts.
„ Thomas Preece Nicholls, F.C.A., Clevedon.
„ Ronald Simpson, F.C.A., Leeds.
„ Harry Maurice West, F.C.A., Reading.
„ Percy Westhead, F.C.A., Manchester.
„ Edward Charles Wheatcroft, F.C.A., Derby.
„ Arthur Harold Wooll, F.S.A.A., Cambridge.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on December 6th, 1961.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Alexander Edward Lawson, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he failed within a reasonable time or at all to carry out his agreement given to the General Commissioners of Income Tax and Land Tax to produce certain accounts of a client to an Inspector of Taxes and/or to the Commissioners, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Alexander Edward Lawson, F.C.A., had been proved and the Committee ordered that Alexander Edward Lawson, F.C.A., of 127 Edridge Road, Croydon, Surrey, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that David Shields, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that (*a*) he failed within a reasonable time or at all to deal with or answer repeated requests made to him by the accountant or accountants acting for a former client in relation to the affairs of that client for whom he previously acted as accountant; (*b*) he failed within a reasonable time or at all to deal with requests made to him by or to co-operate with the accountant and/or solicitors of another client in relation to the affairs of that client for whom he previously acted as accountant, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against David Shields, F.C.A., had been proved under both headings and the Committee ordered that David Shields, F.C.A., of 32 Brazennose Street, Manchester 2, be reprimanded.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting Trends and Techniques. (American Institute of Certified Public Accountants.) Fifteenth edition. New York. 1961. (A.I.C.P.A., $18.)

The Audit and the Punched Card: an introduction; by A. W. Corcoran and D. F. Istvan. Columbus, Ohio. 1961. (Bureau of Business Research, Ohio University, 16*s*.)

Automatic Data Processing; by D. W. Morley. 1961. (D.S.I.R., 6*s*.)

Bankers' Attitudes toward the C.P.A. (American Institute of Certified Public Accountants.) New York. 1959. (A.I.C.P.A., presented.)

Chitty on Contracts; by J. Chitty: twenty-second edition, edited by J. Morris. Vol. 1: general principles. Vol. 2: specific contracts. 1961. (Sweet & Maxwell, 252*s*.)

The Concept of Management Services by C.P.S.s; by J. L. Carey. (American Institute of Certified Public Accountants.) New York. 1959. (A.I.C.P.A., presented.)

The Control of Industry; by Sir D. Robertson and S. Dennison. Cambridge. 1960. (C.U.P., 10*s* 6*d*.)

Cost Reduction in Industry. (Organization for European Economic Co-operation.) Paris. 1961. (O.E.E.C., 12*s* 6*d*.)

The Dictionary of National Biography: the concise dictionary: part II 1901–1950: (edited by Helen Palmer). 1961. (O.U.P., 42*s*.)

Dymond's Death Duties; by R. Dymond: thirteenth edition by R. K. Johns. Two vols. 1960. Second supplement) 1961. (Solicitors Law Stationery Society, 147*s* and 7*s* 6*d*.)

The Elements of Estate Duty; by C. N. Beattie: third edition. 1961. (Butterworth, 28*s* 6*d*.)

An Estate Notebook; by G. B. Graham: third edition. 1961. (Solicitors' Law Stationery Society, 25*s*.)

Green's Death Duties; by G. M. Green: fourth edition by C. D. Harding. 1958. Fourth supplement. 1961. (Butterworth, 12*s* 6*d*.)

Hewitt's Tables of Simple Interest . . .; by J. Hewitt. (Accomptant.) 1736. (Presented by Sir Sidney Fox.)

Income Tax Law and Practice: twenty-ninth edition; by H. G. S. Plunkett and C. A. Newport. 1961. (Sweet & Maxwell, 50*s*.)

Inflation; by T. Wilson. Oxford. 1961. (Basil Blackwell, 30*s*.)

Inquiry into the Scottish Economy 1960–61. (Scottish Council (Development and Industry).) Edinburgh. 1961. (S.C., 25*s*.)

An Introduction to Management Consultancy; by S. Hyman. 1961. (Heinemann, 18*s*.)

The Licensing Guide . . . and . . . the registration of clubs; by M. Underhill: third edition. 1961. (Solicitors' Law Stationery Society, 12*s* 6*d*.)

The Management of Innovation; by T. Burns and G. M. Stalker. 1961. (Tavistock Publications, 30*s*.)

Measurement and Control of Office Costs: master clerical data; by S. A. Birn, R. M. Crossman and R. W. Eastwood. New York. 1961. (McGraw-Hill, 58*s*.)

Morale in the Civil Service: a study of the desk worker; by N. Walker. Edinburgh. 1961. (Edinburgh U.P., 30*s*.)

Nationalization in Britain; by R. Kelf-Cohen: second edition. 1961. (MacMillan, 35*s*.)

Price, Cost and Output; by P. J. D. Wiles. 196 . (Basil Blackwell, 35*s*.)

Profit Management and Control; by F. V. Gardner. New York. 1955. (McGraw-Hill, 50*s* 6*d*.)

Programming Computers for Business Applications; by N. Chapin. New York. 1961. (McGraw-Hill, 58*s*.)

Radical Reaction: essays in competition and affluence; by A. P. Herbert, G. Hutton, B. S. Yamey and others: edited by R. Harris. 1961. (Hutchinson, 25*s*.)

A Report on Marginal Costing. (Institute of Cost and Works Accountants.) 1961. (I.C.W.A., 10*s*.)

Retail Merchandise Accounting; by H. F. Bell and L. C. Moscarello: third edition. New York. 1961. (Ronald Press Co, 100*s*.)

The Structure of Industry in Great Britain; by G. C. Allen. 1961. (Longmans, 12*s* 6*d*.)

Survey of Accounting Office Expenses. (American Institute of Certified Public Accountants.) New York. 1959. (A.I.C.P.A., presented.)

Taxation Systems Applicable to Investments: fiscal encouragement. (Organization for European Economic Co-operation.) Vol. 2. Paris. 1961. (O.E.E.C., 10*s* 6*d*.)

Who Owns Whom: continental edition (France, Italy and Western Germany). (O. W. Roskill & Co.) 1961. (O. W. Roskill & Co, 84*s*.)

Work Study in the Office; by H. P. Cemach, F.C.A.: second edition. 1961. (Current Affairs, 30*s*.)

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment in the 'Annotated Tax Cases'.

Lions Ltd *v.*
Gosford Furnishing Co Ltd and C.I.E.

In the Court of Session – December 7th, 1961

(Before THE LORD PRESIDENT (Lord CLYDE) Lord CARMONT and Lord SORN)

Income tax – Discontinuance – Trading stock valuation – Hire-purchase debts – Whether amount includable in value of trading stock – Income Tax Act, 1952, section 143.

The appellant carried on business as a house furnisher and as a dealer in television sets and ladies' furs, and it had a large number of hire-purchase agreements with its customers. The company sold its business to the first respondent, and discontinued its trade. Among the items included in the sale was the trading stock (at £30,187) and 'the whole of the hire-purchase debts due to the company as at June 27th, 1953', subject to certain debts which were in arrear. The cumulo value of these hire-purchase debts was £225,717.

There was evidence that when hire-purchase agreements are bought and sold between traders the amount paid therefor varies from 50 per cent or less of the total amount of the outstanding instalments to 100 per cent thereof. A low percentage is paid if the expense of collecting the outstanding instalments is expected to be considerable, and the higher percentages are obtained in the case of a going concern having an existing organization for collection and having an expectation of future sales to the same customers. The first respondent possessed such an organization, and the amount paid for the hire-purchase agreements in question was twenty shillings in the pound.

The appellant contended that the £225,717 included not only the value of the goods dealt with under the hire-purchase agreement, but also the value of the right to receive the future payments from the hirers. The first respondent contended that it paid the £225,717 for the totality of the interests in the goods covered by the hire-purchase agreements and that the whole of that sum represented trading stock of the appellant at June 27th, 1953. The Special Commissioners considered that it was unreasonable to attempt to separate these two values, and they decided that the whole of the £225,717 was the value of trading stock within the meaning of section 143 of the Income Tax Act, 1952.

Held (Lord Carmont dissenting): a part of the £225,717 did not represent trading stock, but represented the value of the right to receive the outstanding instalments from the hirers.

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS BALDWIN & SON, Chartered Accountants, Brighton, announce that they have reconstituted their Sunningdale, Berkshire, office as a separate firm and have admitted to the Sunningdale partnership Mr P. S. SAVAGE, A.C.A. The Brighton partnership continues to be carried on by Mr A. J. HEALD, F.C.A., F.A.C.C.A., and Mr C. R. P. GOODWIN, F.C.A., F.A.C.C.A., F.I.ARB.

MESSRS CREW, TURNBULL & Co, Chartered Accountants, of Dunstable announce that as from January 1st, 1962, they have taken into partnership Mr G. W. HIGGS, who has been associated with them for many years. The partners in the Dunstable firm will be Messrs D. E. F. GREEN, M.B.E., F.C.A., A. E. WHITCOMB, F.C.A., E. G. SQUIRES, F.C.A., and G. W. HIGGS, F.C.A.

MESSRS FISHER, SASSOON & Co, Chartered Accountants, announce that they have moved their London offices to Farley Court, Allsop Place, NW1, telephone Welbeck 8111/2.

MESSRS HILLIER, HILLS, FRARY & Co, Chartered Accountants, of Victoria House, 26 Victoria Street, Luton, Bedfordshire, and at Leighton Buzzard, Hemel Hempstead, Hertford and Watford, announce that Mr ALAN W. EVERITT, A.C.A., and Mr CLIFFORD BYGRAVE, A.C.A., both senior members of their staff, were admitted to partnership on January 1st, 1962; the practice will continue under the same name. They also announce that as from the same date, a branch office of the firm has been opened at 18 Matthew Street, Dunstable (telephone: 62607) under the managership of Mr CHRISTOPHER F. BRIGHT, A.C.A.

MESSRS TAPER, BIGGS & Co, Chartered Accountants, of 57 Palace Avenue, Paignton, announce that as from January 1st, 1962, they have taken into the partnership Mr ROBERT JAMES CRUSE, A.C.A., who has been associated with the firm since 1947. The firm's name remains unchanged.

MR G. TREVOR BROWN, C.A.(CANADA), announces that as from January 1st, 1962, he has acquired the practice previously carried on under the name of ANDREAE & FINGLAND, Chartered Accountants, at 113 Harbour Street, Kingston, Jamaica, in which he was a partner. The practice will henceforth be carried on in his own name from the same address.

MESSRS BOLTON, COLBY & Co, of Fairfield House, 7 Fairfield Ave., Staines, Middlesex, announce that Mr L. R. SNELLING, F.C.A., has joined the partnership with effect from January 1st, 1962. The style of the firm remains unchanged.

Appointments

Mr Brian Manning, C.B.E., F.C.A., has been appointed vice-chairman of the Woolwich Equitable Building Society.

Mr G. A. Gardner, B.SC.(ECON.), F.C.A., has been appointed chairman of Dawson, Payne & Elliott Ltd.

Mr D. A. J. Manser, F.C.A., A.C.W.A., formerly chief accountant of Davy and United Engineering Co Ltd, has been appointed to undertake a special assignment devoted to the integration of data processing methods within the company. Consequent upon this appointment Mr J. M. Mason, B.A.(ECON.), A.C.A., A.C.W.A., has been appointed chief accountant of the company.

Mr Stanley J. Careless, F.C.A., F.C.W.A., A.M.B.I.M., has been appointed secretary of The Electric Construction Co Ltd.

Mr J. H. Rothera, F.C.A., has been appointed secretary of Esso Petroleum Co Ltd.

Mr Thomas Brown, F.C.A., managing director and chairman of Crown Cork Co Ltd (U.K.), has been elected to the board of the parent company, Crown Cork & Seal Co Inc.

Mr P. W. J. Simcox, F.C.A., has been elected to the board of the British Xylonite Co Ltd.

Mr Peter M. Furse, M.A., A.C.A., has been appointed assistant managing director of W. J. Furse & Co Ltd.

Mr W. T. J. Griffin, B.A., A.C.A., has been appointed manager of the Foreign and Colonial Investment Trust Co Ltd.

Mr D. R. de Selincourt, A.C.A., has been appointed deputy chairman of Alwyn Holdings Ltd.

Mr Donald K. Somerville, A.C.A., has been appointed to the board of Lloyd Menswear Ltd.

Mr S. A. Crew, A.C.A., has been appointed secretary and chief accountant of Norton Grinding Wheel Co Ltd, as from January 1st, 1962.

Mr William Wallace, C.A., has been appointed secretary of Shipbreaking Industries, of Faslane, a company in the Metal Industries Group.

Mr J. P. Eames, O.B.E., F.S.A.A., F.I.M.T.A., has joined the board of the Mint, Birmingham.

Mr W. C. Golding, A.C.W.A., A.C.I.S., has been appointed secretary of Odhams Press Ltd, and Mr A. Carter, A.C.W.A., has been appointed a director of Odhams (Watford) Ltd.

Mr H. C. Mayer, F.A.C.C.A., executive director and secretary of Griffin & George Ltd and its subsidiaries, has been appointed deputy managing director of the group.

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DOUBLE TAXATION: PAKISTAN

The Double Taxation Agreement between the United Kingdom and Pakistan which was signed in London on April 24th, 1961, was published on January 3rd as a Schedule to an Order in Council numbered S.I. 1961 No. 2467.

OFFICIAL RECEIVER APPOINTMENTS

Mr William Henry Meredith has been appointed Official Receiver, and Mr Arthur John Seldon has been appointed an Assistant Official Receiver, for the bankruptcy district of the County Courts of Ashton-under-Lyne, Oldham and Stockport, with effect from January 1st, 1962.

The appointment of Mr James Tye as Official Receiver, and the appointment of Mr John Austin Sell as an Assistant Official Receiver, for the bankruptcy district of the County Courts of Ashton-under-Lyne, Oldham and Stockport, have been revoked with effect from January 1st, 1962.

Mr Arthur Dawes has been appointed an Assistant Official Receiver for the bankruptcy district of the County Courts of Manchester and Salford and the bankruptcy district of the County Courts of Hanley and Stoke-upon-Trent, Crewe, Macclesfield, Newtown, Shrewsbury and Stafford with effect from January 1st, 1962.

The appointment of Mr Arthur Dawes as an Assistant Official Receiver for the bankruptcy district of the County Courts of Blackburn, Blackpool, Bolton, Burnley, Preston and Rochdale has been revoked with effect from January 1st, 1962.

SCHEDULE A AND YOU

A small booklet entitled *Schedule A and You* has been prepared by Barclays Bank Ltd. Extending to some twenty pages, the booklet briefly surveys property taxation for the benefit of the layman. Copies are available from all branches of the bank.

ECONOMIC CONDITIONS OVERSEAS

Two surveys in the series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued. The booklets, each priced 3*s* and obtainable from H.M. Stationery Office, give comprehensive analyses of economic conditions in Iceland and the United States.

LOCAL AUTHORITY SERVICES

Rising costs are shown in two statistical returns giving details of local government services in respect of police services and fire services for 1960–61 which have been issued jointly by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers[1].

The return on police force statistics gives the general and financial statistics relating to all police forces in England and Wales, with the exception of the Metropolitan and City of London Forces. In the year under review the strength of all county and borough forces at March 31st, was 55,156 compared with 54,616 in the previous year. The expense met from rates and grants totalled £82,571,418, against £73,234,691 in the preceeding year, the rate equivalent being 18·41*d* and 20·07*d* respectively.

Statistics for all borough and county fire services in England and Wales shows that total expenditure during the year amounted to £27,425,021, equivalent to a rate of 9·52*d*. This compared with £25,459,181 for the year 1959–60, the rate equivalent then being 9·09*d*.

[1]*Return of Police Force Statistics, 1960–61* and *Return of Fire Service Statistics, 1960–61*. Price 5*s* each post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Dinner at the House of Commons

The President of The Institute of Cost and Works Accountants, Mr F. M. W. Hird, F.C.A., F.C.W.A., gave a dinner party in the Members' Room at the House of Commons last Wednesday. The company totalled about one hundred, and among those present were:

Alderman F. W. Allum (*Mayor of Harrogate*); Messrs F. St Kevin Anderson (*Master, The Worshipful Company of Vintners*); Paul Bareau (*Editor, 'The Statist'*); G. L. Barker (*President, The Association of Certified and Corporate Accountants*); Hugh P. Barker (*Chairman, British Institute of Management*); Stanley J. D. Berger, O.B.E., M.C.; W. Bishop (*a Vice-President of the Institute*); J. Borsay (*a Past President of the Institute*); Sir Eric Bowyer, K.C.B., K.B.E. (*Permanent Secretary, Ministry of Pensions and National Insurance*); Mr W. K. Brasher, C.B.E. (*Secretary, The Institution of Electrical Engineers*); The Rev. J. S. Brewis (*Rector of St James's, Piccadilly*); Messrs H. Burke (*President, The Institution of Production Engineers*); E. C. L. Butler (*Secretary, The Building Societies Institute*).

Professor A. K. Cairncross, C.M.G.; Mr L. F. Cheyney, O.B.E. (*Secretary, The Institute of Municipal Treasurers and Accountants*); The Hon. G. C. H. Chubb; Messrs W. L. J. Clarke; W. M. Clarke (*City Editor, 'The Times'*); E. C. Clear Hill; J. F. Coales, O.B.E.; H. A. L. Cockerell (*Secretary, The Chartered Insurance Institute*); J. M. Coltart; A. E. Dawson (*President, The Institute of Chartered Accountants in Ireland*); Lord Douglas of Kirtleside, G.C.B., M.C., D.F.C. (*Chairman, British European Airways*); Messrs A. J. Driver, J.P. (*President, The Law Society*); Derek du Pré (*Secretary of the Institute*).

Messrs E. Emmerson (*a Past President of the Institute*); John French (*City Editor, 'The Scotsman'*); H. J. Furness (*a Past President of the Institute*); P. F. Granger (*President, The Institute of Chartered Accountants in England and Wales*); J. H. Gunlake, C.B.E. (*President, The Institute of Actuaries*); C. E. Harrison (*President, Federation of British Industries*); W. E. Harrison (*a Past President of the Institute*); Dr Bernard Hatchick; Messrs T. W. Hurst (*President, The Institute of Hospital Administrators*); J. W. Isaac (*President, The Royal Warrant Holders' Association*).

The Rt Hon. Lord Jenkins, P.C. (*Lord of Appeal in Ordinary*); Sir Alexander Johnston, K.B.E., C.B. (*Chairman,*

POSTAL DELAYS

We regret any inconvenience subscribers may be experiencing at the present time owing to possible delay in receiving their copies of *The Accountant*. It will be appreciated that this is a matter which is beyond our control or influence.

Board of Inland Revenue); Dr M. G. Kendall (*President, Royal Statistical Society*); The Rt Hon. Lord Kennet; The Rt Hon. Lord Latham, J.P.; Major-General C. Lloyd, C.B., C.B.E., T.D. (*Director, City and Guilds of London Institute*); Messrs G. S. C. Lucas, O.B.E. (*President, The Institution of Electrical Engineers*); E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); Alan S. MacIver, C.B.E., M.C. (*Secretary, The Institute of Chartered Accountants in England and Wales*); T. G. B. Matheson (*Deputy Chairman, Association of Scottish Chartered Accountants in London*); Colonel E. R. Mayer, T.D., D.L. (*President, National Association of British Manufacturers*); The Rt Hon. Lord Mills, P.C., K.B.E. (*Minister without Portfolio*); The Rt Hon. Lord Milne (*Master, The Worshipful Company of Grocers*); Mr A. W. Muse (*a Past President of the Institute*); Sir Charles Norris, K.B.E., C.B., D.S.O. (*Director, British Productivity Council*).

Messrs W. Stuart Orr (*Secretary, The Institute of Chartered Accountants in Ireland*); F. Cameron Osbourn, M.B.E. (*Secretary, The Association of Certified and Corporate Accountants*); Lloyd Owen, M.B.E.; Alderman Peter Pettit, D.S.O., T.D., J.P. (*Mayor of St Marylebone*); Messrs J. F. Phillips, O.B.E. (*Secretary, The Chartered Institute of Secretaries*); C. E. Power (*a Vice-President of the Institute*); Harry Priestley; W. S. Risk (*Immediate Past President of the Institute*); L. W. Robson (*a Past President of the Institute*); F. W. H. Saunders (*a Past President of the Institute*); J. B. Smith (*Assistant Secretary, Insurance and Companies Department, Board of Trade*); Peter A. Smith; C. R. Sopwith (*The Public Trustee*); R. J. W. Stacy, C.B. (*Under-Secretary, Insurance and Companies Department, Board of Trade*); Geoffrey Stevens, M.P.; G. C. Stone (*a Past President of the Institute*); J. W. Symonds (*President, The Institute of Arbitrators*).

Messrs Godfrey Talbot, O.B.E.; A. J. Tuck; Graham A. Usher, M.B.E., T.D. (*President, The Institute of Chartered Accountants of Scotland*); S. Watney (*Master, The Worshipful Company of Brewers*); Francis Whitmore (*City Editor, 'The Daily Telegraph'*); H. Willis (*Master, The Worshipful Company of Musicians*); W. F. S. Woodford (*Secretary, The Institution of Production Engineers*).

There were no formal speeches. Mr Hird welcomed the guests and Lord Mills briefly responded.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Discussion Group

A meeting of the Manchester Society of Chartered Accountants will be held at 5.45 for 6 p.m. on Tuesday, January 23rd, in the Chartered Accountants' Hall, 46 Fountain Street, Manchester 2. The subject for discussion will be 'Installation of a process costing system', lead by Mr W. Russell Jones, A.C.A.

The remainder of the spring programme is as follows:

February 21st, 'The Institute's recommendations on auditing', lead by Mr G. J. Netherclift, F.C.A.
March 21st, 'Some thoughts on possible recruitment to the profession', lead by Miss M. A. T. Hodge, F.C.A.
April 24th, 'The place of an internal auditor in industry', lead by Mr A. G. Wood, A.C.A.

Inquiries regarding the activities of the group may be obtained from the hon. secretary, Mr M. J. Croll, A.C.A., at the above address.

CORRECTION

The reference to section 173 of the Local Government Act, 1939, in the Weekly Note headed 'L.C.C. *v.* F.C.A.' in our issue of December 23rd should, of course, have read London Government Act, 1939.

SEVENTY-FIVE YEARS AGO

FROM **The Accountant** OF JANUARY 1ST, 1887

From a Leading Article

TRADERS RECOMMENDED TO EMPLOY ACCOUNTANTS

Three years' experience of the Bankruptcy Act of 1883 has, amongst other things, conclusively shown that financial confusion and bankruptcy is very frequently the direct result of bad book-keeping, and aversion by traders to a proper periodical audit by qualified accountants. These matters of bad book-keeping, and the want of an efficient audit have been mentioned so often in our columns, that it almost seemed desirable to give the subject a rest. Now and then, however, the Bankruptcy Officials, and the Courts, have given expression to opinions which sound almost like an echo of our own. The most pointed remarks of this kind, and the most complete justification of our own oft-reiterated opinions, that we have recently read, were made by the Official Receiver for Manchester, and the Judge of the Manchester County Court, recently in connection with an application made by two bankrupts for their discharge. The Official Receiver reported that the bankrupts had omitted to keep proper books of account, and at the hearing, went on to speak on this point in language important enough to be reproduced. He said, "If men, like the bankrupts, whom he "believed to have been hard-working struggling "men, had only employed some accountant to "audit their books occasionally, and keep them "in proper order, the debtors would not, he "thought, be in the position they now are. He "would like to remark—and, if possible, induce "the Court to strengthen the observation—how "desirable it was that men who were not good "book-keepers, should employ some person "occasionally to look over their books. He was "perfectly satisfied that if this were done, there "would be far fewer bankruptcies and in many "cases where bankruptcy took place there would "be better dividends for the creditors. The "employment of an accountant would in many "instances be a saving to the bankrupts themselves; at the same time it was certain to be an "advantage to creditors." With the suggestions made by the Official Receiver His Honour Judge Russell entirely agreed saying they were very well worth the consideration of persons engaged in trade. "By going to a small expense, "they could have their affairs looked over now "and again by a competent person, their financial "position would be more likely to be ascertained. "If this were generally done, he believed fewer "bankruptcies would take place, for where men "were working in the dark in regard to their "financial position, they were sure to get into a "scrape." No words of ours could add to the force of these remarks. It is to be hoped that they will be read and inwardly digested by those for whose benefit they were uttered.

THE LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The Trustee Investment Act and unit trusts' will be the subject of an address to be given by Dr Charles Walker, director, Municipal and General Securities Co Ltd, at a luncheon meeting of The Leicestershire and Northamptonshire Society of Chartered Accountants to be held in the Grand Hotel, Leicester, on January 18th.

The hon. secretary of the Society is Mr J. H. Golcher, F.C.A., 32 De Montfort Street, Leicester

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'Christians talking' is the title for a meeting which will be held at 6 p.m. on Wednesday, January 17th, at the Institute, Moorgate Place, London EC2. There will be short informal discussions on such subjects as: (1) Budgeting beyond life. (2) What is my textbook? (3) Why pray? (4) Christianity –? all overtime.

All who are interested, either as listeners or speakers, will be welcome.

LONDON CERTIFIED ACCOUNTANT STUDENTS' SOCIETY

The next meeting of the London Certified Accountant Students' Society will be held on Tuesday, January 16th, at 6.15 p.m., in the Chartered Auctioneers' Hall, Lincoln's Inn Fields, London WC2, when Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Assistant Editor of *Taxation*, will supervise a mock income tax appeal.

Members of other Association students' societies will be welcome.

UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

Members of chartered accountant students' societies are reminded that all such societies welcome to their meetings members of other societies who are temporarily in their area.

There is also an arrangement for transfer of membership without additional fee for members who permanently change their district. The interchange should be carried out through the secretaries of the societies concerned.

Students' societies hold meetings in the following towns:

Ashford (Kent), Bedford, Birmingham, Blackpool, Bournemouth, Bradford, Brighton, Bristol, Cambridge, Canterbury, Cardiff, Carlisle, Chelmsford, Chester, Colchester, Coventry, Darlington, Derby, Doncaster, Dorking, Dorchester, Eastbourne, Epsom, Exeter, Faversham, Grimsby, Guildford, Halifax, Hastings, Hereford, Huddersfield, Hull, Ilford, Ipswich, Kettering, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Middlesbrough, Newcastle upon Tyne, Newport (I.W.), Northampton, Norwich, Nottingham, Oxford Peterborough, Plymouth, Portsmouth, Preston, Reading, Redhill, Salisbury, Scunthorpe, Sheffield, Shrewsbury, Southampton, Southend, Stockton-on-Tees, Stoke-on-Trent, Sunderland, Swansea, Taunton, Torquay, Truro, West Hartlepool, Wolverhampton, Worcester, York.

THE INSTITUTE OF INTERNAL AUDITORS

Yorkshire Chapter

The next meeting of the Yorkshire Chapter of The Institute of Internal Auditors will be held at the Guildford Hotel, The Headrow, Leeds 1, on January 30th, at 7 p.m., when the speaker will be Mr F. A. Adams, finance officer, Leeds (A) Group Hospital Management Committee, who will be speaking on 'Financial control in the hospital service'.

Non-members will be welcome and inquiries regarding the Chapter's activities should be addressed to the secretary, Mr A. E Gardner, divisional internal auditor, National Coal Board, Ellers Road, Bessacarr, Doncaster.

MANAGEMENT ACCOUNTING COURSES

Two one-day courses dealing with stock control and reduction, and capital budgeting and assessment are to be held at the Midland Hotel, Manchester, on January 30th and 31st respectively The courses will be presented by Dr J. M. S. Risk, B.COM., PH.D., F.C.I.S., F.B.I.M.

A three-day course on budgetary control and standard costs will be held at the Mostyn Hotel, London, from February 6th – 8th, and will comprise budgets and standard cost rates, forecasts and output levels, and procedure for installing budgetary control and standard costs. This course will be repeated at the Midland Hotel, Manchester from February 13th – 15th.

Week-end Seminar

A week-end residential seminar commencing on the afternoon of Friday, February 16th, until the afternoon of Sunday, February 18th is to be held at Blossoms Hotel, Chester. It provides an unusual opportunity in a decision-making exercise. Members will be divided into teams which compete against one another and the results of their decisions will be evaluated at frequent intervals by an electronic computer The exercises are designed for executives who wish to gain a grasp of the operation of a company as a whole.

Further particulars regarding the seminar and the above courses may be obtained from Management Courses Ltd, 8 St George's Terrace, London NW1.

ROYAL EXCHANGE
ASSURANCE : INCORPORATED A.D. 1720
HEAD OFFICE: ROYAL EXCHANGE, LONDON. Branches throughout the Country.
Accountants are invited to apply for the Corporation's Agency.

LOCAL GOVERNMENT FINANCE STATISTICS

The cost of running local authority rate fund services in England and Wales, other than trading services, in the financial year 1959–60 was £1,660½ million – an increase of £120¼ million compared with the previous year. These figures are among details, published last week[1] of the income and expenditure of English and Welsh local authorities for the financial year 1959–60 by the Minister of Housing and Local Government.

Other changes noted in the statistics include an increase of £25 million in payments made by council tenants and those making use of other rate fund services. The income from rates rose by £96 million to £650 million. Government grants, apart from capital grants, were £46½ million higher at £704¾ million and expenditure of the trading services again increased, to £222½ million compared with £213¾ million in 1958–59.

Capital expenditure, at £531½ million, was higher than in 1958–59 by nearly £51 million. This expenditure includes nearly £58¼ million for advances on mortgage to private individuals for house purchase. Debt, after deducting sinking funds and sums repayable for nationalized services, amounted at the end of the year to over £5,628 million – an increase in the year of some £363 million. The remuneration of local government officers and employees cost nearly £899 million – an increase of over £72 million.

[1] *Local Government Financial Statistics, England and Wales, 1959–60.* H.M.S.O. Price 1s 9d net.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Limited, 151 Strand, London WC2.

STATUTES

(9 & 10 Eliz. 2)

Chapter 65: Housing Act, 1961

An Act to make further arrangements for the giving of financial assistance for the provision of housing accommodation, to confer further powers on local authorities as regards houses let in lodgings or occupied by more than one family, and houses or other buildings affected by clearance orders and demolition orders, to amend section five of the Rent Act, 1957, by allowing a greater increase in the permitted rent for improvements, to alter the circumstances in which improvement grants and standard grants may be made under Part II of the Housing (Financial Provisions) Act, 1958, and the Housing and House Purchase Act, 1959, to amend the law with respect to repairing obligations in short tenancies of dwelling-houses, and to amend the Town Development Act, 1952, as regards development carried out wholly or partly in a county borough and as regards the assistance which may be given by a county council for town development; and for purposes connected with any of those matters.

Price 3s 6d net. *October 24th, 1961.*

(10 Eliz. 2)

Chapter 1: Tanganyika Independence Act, 1961

An Act to make provision for, and in connection with the attainment by Tanganyika of fully responsible status within the Commonwealth.

Price 1s net. *November 22nd, 1961.*

Chapter 2: Southern Rhodesia (Constitution) Act, 1961

An Act to provide for the grant of a new constitution for Southern Rhodesia.

Price 3d net. *November 22nd, 1961.*

Chapter 3: Export Guarantees Act, 1961

An Act to increase the limit imposed by section 2 of the Export Guarantees Act, 1949, as amended by any subsequent enactment, on the liabilities which may be undertaken by the Board of Trade in respect of guarantees under that section and certain other transactions under the Export Guarantees Acts, 1949 to 1959.

Price 3d net. *December 20th, 1961.*

Chapter 4: Expiring Laws Continuance Act, 1961

An Act to continue certain expiring laws.

Price 5d net. *December 20th, 1961.*

Chapter 5: Coal Industry Act, 1961

An Act to make provision until the end of the year 1962 for financing any accumulated revenue deficit of the National Coal Board.

Price 3d net. *December 20th, 1961.*

Chapter 6: Family Allowances and National Insurance Act, 1961

An Act to improve and extend the allowances payable out of the Industrial Injuries Fund in respect of injury or disease arising out of pre-1948 employment; to amend the National Insurance (Industrial Injuries) Acts, 1946 to 1960, and the National Insurance Acts, 1946 to 1960, as regards the circumstances giving a right to or affecting the continuance or rate of certain benefits, as regards the references in certain provisions relating to contributions to an income not exceeding £156 a year or to remuneration not exceeding 60s a week, and as regards matters connected with the administration of the Acts and the making and operation of orders and regulations thereunder; to make further provision as to sums wrongly paid by way of benefit under those Acts or by way of family allowance; to alter the meaning in those Acts and the Family Allowances Acts, 1945 to 1959, of the word 'child'; to provide for certain expenses of the Minister of Pensions and National Insurance; and for purposes connected therewith.

Price 2s net. *December 20th, 1961.*

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

THE
ACCOUNTANT

ESTABLISHED 1874

JANUARY 20TH, 1962 VOL. CXLVI. NO. 4544

CONTENTS

	Page
Uncertain Prospect	57
The Education and Training of Accountants: Some Comments on the Parker Report by *W. T. Baxter, B.Com., C.A., Professor of Accounting, University of London*	59
Overseas Trade – 1938 and Now *Contributed*	63
The Accounting World	65
Weekly Notes	67
This is My Life . . . by *An Industrious Accountant*	70
Reviews	71
Finance and Commerce The Villiers Engineering Co Ltd – City Notes – Rates and Prices	73
***The Accountant* Annual Awards for 1962** Closing Date for Entries	73
Correspondence Income Taxes in the Commonwealth – Decimal Currency – Stock Records: Builders' Supplies – Post-discontinuance Receipts	77
Current Law	78
New Office Equipment	80
Notes and Notices Professional Notices – Appointments – Obituary: H. W. A. Waring – The Institute of Chartered Accountants in England and Wales: Small Practitioner Inquiry – Double Taxation: South Africa – New Family Allowances and National Insurance Act – Chartered Accountants' Benevolent Association – Northern Society of Chartered Accountants – Manchester Chartered Accountants' Students' Society – The Chartered Accountant Students' Society of Leeds – Revenue Paper	82

Uncertain Prospect

IT would be a mistake to believe that the extensive publicity accorded MR SELWYN LLOYD's latest statement to the T.U.C. reflected the extent of its contribution to a solution of the present impasse over the 'pay pause' in particular and national economic planning in general. What that publicity does in fact indicate is the continuing and growing concern among responsible opinion in the country over the present situation. It can hardly be asserted that the CHANCELLOR's latest letter helps very much, except possibly in one respect. This is the assurance that the 'pause' will not – as a considerable proportion of organized labour clearly believes to be the case – be directed solely at wages. If, stated the CHANCELLOR's letter, 'it was established that aggregate profits were increasing disproportionately as compared with wages and salaries, the Government would not hesitate to take corrective action in the fiscal or other fields'.

Yet can it be denied, that this assurance should have been stressed from the outset even though, as the CHANCELLOR's letter goes on to recognize, the implementation of this policy of keeping incomes within every sector of the economy in line for any long period is hardly a practical proposition. In any case, nobody who has studied the United Kingdom industrial production figures for the past two years or more has any hopes that profits and dividends are likely to leap ahead of wages during the next twelve months. Nevertheless, the current obsession within the community with the thought that those working in one sector of the economy may get more than those in another, is likely to stultify Britain's economic growth. In any economy, unless it is completely regimented, prices of goods and the rewards to the factors of production must move relatively to one another, if only to bring about the redistribution of labour and other economic resources needed by the changing demand from within both the public and private sectors.

The most pressing need is for a wages policy which will enable the needs of individual industries for additional labour to be met and their capacity to pay reflected in the wages structure. The real weakness of the 'pay pause' is that it ignores this need for a flexible structure of wages and salaries, which takes into account not only the differing circumstances of various industries, but the variations between different areas of the country in their local supplies of labour. Why should the level of wages in many industries throughout the country be dictated by the abnormal demand for labour in London and the south? By differentiating these wage rates, some movement of labour might be achieved.

The main result of the present policy of fixing wage rates on a national basis is cost inflation.

The 'pay pause' is merely the reverse side of the coin, represented on the other side by the trades unions' insistence that if the labour force in one industry gets a 5 per cent increase, then so should the members of every other union, regardless of the needs of the economy or the ability of other industries to pay such rates. It also means that industries which could pay an increase of more than 5 per cent cannot do so, for fear of distorting the wage structure elsewhere. The result is that in these industries in the economy where expansion is possible, it is held up for lack of labour, while elsewhere employers hoard redundant labour. If MR LLOYD's planning council can bring some sane thinking to bear on this issue, which unfortunately is so bound up with sectional self-interest coupled with ignorance and prejudice, our prospects of avoiding a further bout of 'cost inflation' would be infinitely brighter.

As we pointed out in a leading article on January 6th, public concern with the 'pay pause' and its immediate consequences is diverting attention from the consideration of what Britain's long-term policy should be within the economy as a whole. In his valedictory address to the stockholders of Barclay's Bank, MR ANTHONY TUKE reflected on the policies of the past decade and sought therein suggestions for the present. His reference to 'the dubious expedient of a 7 per cent Bank rate' found an echo in SIR HAROLD BIBBY's comment to the members of Martins Bank, deploring the 'disturbing effects on the economy brought about by frequent alterations in the Bank rate'. Both chairmen were concerned that the full force of implementing the 'credit squeeze' fell upon the banks, just as they both commented on the effects of Bank rate in bringing about an undesirable inflow of hot money which merely added to Britain's balance of payments problem.

Referring to the extensive tariff protection still afforded many British industries, SIR HAROLD BIBBY concluded that 'this generally easy life in the home market is doubtless one of the reasons why our productivity has not been forced to rise by economic compulsion'. Unilateral reduction of tariffs is hardly practicable; it must wait upon the outcome of the present negotiations with the European Economic Community. The wider negotiations under the General Agreement on Tariffs and Trade (GATT) should also bring some benefits in their train, always assuming PRESIDENT KENNEDY can divert Congress from its current protectionist inclinations. The exhortation to export will, as the Government by now must surely have learned, achieve little, so the creation of a competitive domestic economy is only a first step – but an important one. With the possibility of intensive competition in the domestic market, however, the need for long-term measures to deal with redundancy is evident. Without such policies, labour co-operation in policies aimed at raising efficiency will hardly be forthcoming.

There is little doubt that a significant change has taken place within the ranks of industrial management over the role of Government planning. SIR HAROLD BIBBY implicitly recognizes that overall planning is needed, if only because 'in our present position a strict sense of priorities must be observed'. MR TUKE, while recognizing the public's distaste for central planning and controls, acknowledged that 'some sort of central organization of our economy may have to be accepted, if it can be conducted on the basis of voluntary co-operation between employers and employed'. Like this journal, however, he views with concern the absence from the CHANCELLOR's planning council of any independent members, noting that 'perhaps independence, if that implies impartiality, is hardly conceivable in regard to this highly contentious question', i.e. of economic planning.

The recent publication of the results of the inquiry into industrial capacity by the National Institute of Economic Research makes it abundantly clear that the major bottleneck within the economy is labour. In these circumstances, a continuing failure to achieve a settlement on current wage claims as well as an agreed 'wages policy' for the future, could prove disastrous to Britain's hopes of increasing exports. A renewal of the wage-cost type of inflation could rapidly wipe out all the advantages conferred upon British manufacturers by the revaluation of the Deutschmark and the revival of the United States economy. In putting forward his alternative courses for the evolving of a wage policy, the CHANCELLOR's letter has at least put first things first.

The Education and Training of Accountants

Some Comments on the Parker Report

by W. T. BAXTER, B.Com., C.A.
Professor of Accounting, University of London

THE report of the Committee on Education and Training (the Parker Committee) has not prompted much public discussion. This is a pity, as it deals with matters that are of wide interest and seem likely to be of critical importance for The Institute of Chartered Accountants in England and Wales. Because of the report's wide implications – for the whole profession and, indeed, the community at large – perhaps some comment by an outside observer may be forgiven.

Accounting education is a field in which it is much easier to attack the schemes of others than to put forward acceptable schemes oneself. So I must start by hoping that my views will not seem captious or unduly negative. The Parker Committee was admittedly faced with problems of much difficulty; any conceivable report was bound to strike some of its readers as unsound.

It is important to understand the difficulties. They fall under three heads: (1) the lack of a common goal; (2) the big part now played by Government in training young people for most other professions; and (3) the new skills that accountants now need.

The Difficulties

(1) The lack of a common goal

All accountants would agree that a sound training is desirable. But a training for what? Different jobs demand different types of experience. Many men go into industry after qualifying; they would obviously like the training to stress matters such as costing and management accounting rather than executorship. Even if a man 'stays in the profession', he is faced with a choice between, say, general country practice or work in a City firm – possibly with specialized departments for auditing, tax and management services. And (if one may touch on a delicate point) this differentiation is not just a matter of special subjects – the *quality of the man* is variable, and the training most suitable for the profession's future leaders may be too exacting for the normal recruit.

Even if we all agreed on what constitutes the best training, we should start to disagree when we came to count the cost. A good training scheme must involve both articled clerks and employers in some financial sacrifice and inconvenience. For instance, if sixth-formers are to be attracted in large numbers, they probably must be given better terms than the lad who leaves school at 16; the Parker Committee recommends – wisely, I think – a reduction of one year in their articles, and they will doubtless be more insistent than boys of 16 on receiving adequate pay, experience and supervision. Again, if articled clerks are to attend day-time courses, this time will be lost to their employers.

The higher the future standards of the profession, the greater the price that it must pay now; education is a long-term investment – and the man who puts up the capital does not always get the dividend. Even the most ardent of reformers would therefore agree that we must strike a balance between present and future welfare. But where? The Parker Report may perhaps not unfairly be summarized as recommending a low price now for a low future return.

(2) Government help in training

When the Institute came into being, professional life was reserved for the sons of parents who could and would make a big sacrifice. The Welfare State has completely changed the picture. Now Government gives generous help to schools, colleges and universities; and any boy or girl with a good brain is paid to be a student. The country's growing prosperity reinforces the Welfare State: more and more youngsters are able to go through the sixth-form; thereafter, if they want to enter business, they are eagerly sought out by employers, and in many careers start to train on terms that cause wry smiles among us older

people who can remember starting work in the 'Great Depression'. The experience of the Dominions and the United States reinforces the view that affluence and demand for university education grow hand-in-hand. If Britain's economy has reasonable luck, probably most bright children will in a few years choose as a matter of course to go to a university.

Thus the Institute is now trying to swim against a very strong tide. Private training has become an anachronism. 'If the other chaps all go into the sixth form and then take degrees', the intelligent boy will ask himself, 'why should I serve five years in articles? If my friends get paid to study and enjoy university life, why should I have to take a correspondence course – and pay for it myself?'

Any profession that fails to answer such questions satisfactorily must fall in public esteem and lose much of its appeal to good recruits. True, the results may not at first be obvious; for instance, failure to attract graduates will not have disastrous results at once, because 'the bulge' and the consequent shortage of university places will no doubt for some years compel many lads of reasonable ability to go straight from school to the profession. However, as soon as Britain can afford to set up enough institutions of university rank, this stream is likely to fall away.

(3) The new skills needed by accountants

Most accountants would agree that the profession's work has become more exacting over the years. This holds both for the traditional tasks – accounting, tax and auditing – and for the new ones that are now provided by industry's needs and advances in technology. Business firms increasingly ask for figures that will be useful for control and decisions. Book-keeping is being taken over by machines, and simple machines are being superseded by electronic marvels; in the mid-sixties, computers will probably be used by some 1,500 British firms. Mathematics and statistics are providing unexpected aid in many sectors of business (including auditing); to quote a report of the Ford Foundation:

> 'Such analytical techniques as scientific programming, statistical decision theory, and computer simulation of complex systems have come into use only in the last decade. Although there is the expected time lag between theoretical advances and applications, many business firms are already committed to the use of recently developed mathematical and statistical techniques as part of the decision-making process. . . .'

This formidable list of new subjects is by no means complete; and doubtless the list will grow with the years. Many of the subjects are part of, or close to, the profession's ordinary work; before long, any young accountant who fails to understand them will not be properly trained. Other subjects stand further afield, and can perhaps in the main be taken on trust; but, even if we agree that an accountant should on occasion use formulae or a 'black box' without first mastering their underlying mathematics, he needs some study of theory if he is to know their possibilities and pitfalls. One of the developing subjects – capital budgets for long-term plans (e.g. problems of make-or-buy, plant replacement, profitability of new ventures) – lies so close to the accountant's work that he can hardly ignore it without great loss of face; yet he cannot solve these problems correctly unless he is at home with annuities and economics.

If we accept that these new subjects – or some of them – are essential to accountants who hope to succeed against well-educated competitors from other professions, then we must ask where the necessary training is to come from. Much of it must take the form of detailed instruction in somewhat abstract subjects; access to extremely expensive computers may also prove important. Few firms of accountants (certainly few small firms) can hope to give such training unaided. So, if young accountants are to be well-equipped for the brave new world, their articles must be combined with substantial doses of formal teaching (and I do not believe that correspondence courses, efficient though they are for some tasks, could possibly give what is wanted). Such formal teaching can be supplied only by colleges with an ample staff of specialists.

Small accounting firms in particular should press for the setting up of courses for training in theory. Hitherto these firms have been able to claim, not without reason, that their type of practice gives a good basic training to the clerk. In future, they are likely to lose ground to the big firm, unless they can supplement their resources from outside.

Relevant Recommendations by the Committee

The Parker Committee touches on most of these problems (though it fails, in my view, to bring out their gravity). How does it propose to deal with them? So far as the sixth form is concerned, its recommendation – reduction of a year in the period of articles to candidates 'with advanced

level qualifications' – seems bold and perhaps adequate. But it has little more to suggest. It does not recommend that boys who leave school at 16 – likely in future to be rather poor material – should no longer be accepted. It does not put forward effective plans for linking practical training with worth-while spells of formal study in state-sponsored (or private) colleges with adequate staffs. And it does not suggest any new means for attracting graduates.

Two points in the Committee's argument seem to call for discussion – its dislike of class-room teaching, and its scheme for holding three-week courses.

Class-room teaching

The Committee's unwillingness to recommend full-blooded courses seems to stem in part from a distaste for ordinary teaching arrangements. 'We do not envisage "class-room" teaching (accompanied by a modest amount of "home-work") as a suitable medium except within the narrowest limits' (paragraph 158).

It is hard to understand this attitude Class teaching is almost universally accepted as the best available form of instruction (save where the student/teacher ratio is so enviably low as to turn the teacher into a personal tutor). Presumably the Committee thinks classes involve spoon-feeding. But why should they? And why should the volume of homework be modest? A competent teacher pitches instruction at as high a level as his class can stand.

The Committee extols 'solid private reading' with 'proper tutorial guidance'. The case for such study is overwhelming – if the student is mature, has plenty of time and energy, is near a large library, and works under a tutor. The average articled clerk is young, studies when tired by office work, lacks a library, and has only a correspondence course to serve as tutor. In such circumstances, private study by itself must be far inferior to study linked with classes.

Three-week courses

The Committee's most positive suggestion is that the articled clerk should attend an introductory course soon after he enters an office and again before each part of the Final examination – such courses to last 'at the most for three weeks'.

This scheme is at least a token beginning and so is welcome. But, unless the details are well planned, it may prove a disappointment and, indeed, do more harm than good. Presumably most of the courses will be sponsored by district societies, and will be given at technical colleges (though it is hard to see why the taxpayer should subsidize courses that are reserved exclusively for the Institute, as the Committee wants). The Committee envisages (paragraph 172) that most districts will need three courses per term, each for a group of, say, thirteen or fourteen clerks. Under such a plan, the teachers will tend to be full-time employees of the colleges. If their instruction is to be worth while, plainly their qualifications must be high. But what sort of hack would be content to give three-week introductory courses in an endless chain? Few teachers of the necessary calibre could stomach such a task. So the courses are likely to be stale and dull, and calculated to make the clerk dislike all lectures.

With safeguards, a three-week course can be valuable. I have been to such a course in America. It is given each summer by one of the big auditing firms for some 250 of its new clerks. These young men attend lectures after breakfast, and then labour till late at night on a model audit; and – according to one of the partners – they mature in those three weeks as much as they would in nine months of practical work. The course is residential; every detail is planned with care; partners or seniors take the lectures and small classes; and the clerks are graduates.

Alternative Plans for Theoretical Training

Such conditions are not likely to obtain in England for a long time. What sort of second-best is feasible?

If courses must indeed be restricted to three weeks, then they should probably be held less often – say, once or twice a year – and should cater for several hundred clerks at a time. The teachers would not find such a course unduly repetitive; professional instructors of quality (or maybe senior practising members of the Institute) might well agree to give the instruction.

However, three 'block release' courses, each of up to three weeks in length, is woefully little. (This is particularly true where clerks leave school early.) Experience in Scotland and the Dominions shows that much more is desirable. The report seems to agree; 'the Association of University Teachers of Accounting estimates, and we do not dissent, that to give suitable instruction for the Institute's examinations in a series of "block release" courses a total period of eighteen months (excluding "homework" between the courses) would not be too long for non-graduates or twelve months for graduates'

(paragraph 147). The Law Society plans to make non-graduate recruits attend a preliminary course (at the Society's own school) spread over a year; non-graduates and graduates will both be allowed further time off during their last six months of articles. Why should English accountants be less well-trained than solicitors?

If adequate 'block release' courses are ruled out, 'day attendance' is a possible substitute. There is a lot to be said for imbibing knowledge in a series of sips rather than a single gulp; the student learns better, and he has ample time to work out exercises between classes. Attendance for, say, one day a week at a good technical college would thus be suitable for clerks (though it would interfere with their office duties more persistently than block releases). Attendance for part of a day, and in the evenings, would be better than nothing. I understand that the Bristol District Society has started courses of this type, and that their results – as reflected in examination performance – seem full of promise.

The Universities

I have so far said little about the role of the universities – for the simple reason that unfortunately the great majority of new entrants are not likely to be graduates. At present, only some 10 per cent of articled clerks are graduates (as compared with the solicitors' rate of over 40 per cent); the percentage is perhaps growing, but bold measures will be needed if it is to rise to the level found in law, let alone medicine.

The main concession with which the Institute attracts graduates is the two-year reduction in articles. This appears to be too weak an attraction now; and its pulling power may be further weakened if a one-year reduction is given to A-level entrants.

I venture to suggest two changes. The first would call for only a trivial concession. A student who does not enter articles immediately after his university Final (e.g. the man who travels abroad till the autumn) may well register with the Institute too late to be allowed to sit his professional Final in May of his last year. Some relaxation here would be helpful.

My second proposal is more important. The period of articles should be cut down slightly, at least for graduates who already know something about accounting. Once again, the Law Society has taken the lead. It proposes to reduce the articles of graduates in law to two and a half years (provided these graduates have already passed examinations in prescribed legal subjects).

I do not propose to say much about the 'special degree' in accounting, economics and law. I think that such a degree is an excellent beginning for an accountant. Considering how small the normal honours schools are at most universities, a scheme that provides the Institute with some 140 graduates a year is not doing too badly. Graduates are now taken eagerly by suitable firms, at salaries far higher than those of two or three years ago. If the universities keep standards at a good honours level, and widen the curriculum to include some of the new subjects mentioned earlier in this article, the success of the degree seems assured.

It is scarcely necessary to stress the Institute's quite extraordinary position in the matter of higher education. The accounting bodies of almost every other advanced country look largely to the universities for the formal training of their recruits; most of the other professions in England do the same; the Institute alone clings to Victorian standards of education. One must admit to a certain admiration for the independent spirit of the only member of the regiment who is in step. However, even the most conservative must eventually adapt themselves if they are not to stagnate – or worse. And the Institute must now move far and fast if it is to catch up with other professional bodies.

Supply of Teachers

One other point is immensely important. Any scheme of education stands or falls by the quality of its teachers. Whatever the system adopted by the Institute – correspondence courses, block release, university degrees, or anything else – the most essential first step in the plan is to ensure the supply of good teachers. And, in accounting, such men are rare.

What are the specifications of the teacher who will instruct clerks studying for their Finals? He must have the right personality. He should be a qualified accountant with sound experience. And his knowledge of theory should far exceed that of his class – which means that he must have studied accounting and allied subjects in depth; so he should at least have a good honours degree, and will be all the better for graduate training too (e.g. a Master's degree).

The special degree can play a useful part in training some of these specialists. But it needs to be supplemented, especially at graduate level.

The Institute could best help by providing scholarships. These might, for instance, be offered to clerks who obtain distinction in pro-

fessional examinations. Two levels of award are needed:

(i) *Undergraduate scholarships* (for three years), to enable accountants without university experience to take Bachelors' degrees; and

(ii) *Graduate scholarships* (for one or two years), to enable accountants already holding Bachelors' degrees to take Masters' degrees.

The Parker Committee (paragraph 175) feels that the best opportunities of strengthening the links between the profession and the universities lie 'in the field of post-graduate and post-qualification activities'. Scholarships seem the obvious means for implementing its sentiment.

Conclusion

The chief aim of this article is to stress the urgency of the case for vigorous reform. Social and economic circumstances are changing wholesale, but the Institute's training stands still. Unless its methods are improved there is risk of serious loss to the Institute, the profession, and the British economy. The Parker Committee notes the need, and makes some minor suggestions. And it certainly describes the many difficulties attached to worth-while reform. These are real enough; but the Institute commands wealth and power, and can probably get most of what it wants if it sets about the task with energy. The important thing is to aim high.

Mr Bertram Nelson's reservations (page 85 of the report) give a suitable last warning: 'I doubt whether the profession can prosper unless its educational attainments are kept in line with the educational attainments of its clients.'

The danger is real.

Overseas Trade - 1938 and Now

CONTRIBUTED

THE leading article in *The Accountant* of November 18th last, discussing the decline in Britain's invisible earnings compared with pre-war days, has prompted the author of this article to undertake a comparative study of the United Kingdom's overseas trade in 1938 and now. Nearly a quarter of a century has elapsed since the last full pre-war year and the changes in foreign trade which have taken place have been substantial. They have occurred within a framework of expanding world trade.

In the 1930s and during the war, future prospects appeared to be disappointing; traditional world trade, especially in cotton textiles, was disappearing as domestic industries were being established and extended in many of the newer countries. The opportunities for increased trade between the advanced industrial communities seemed likely to become fewer as the character of their industrial development became more and more similar. But, in fact, world trade in manufactures has risen more rapidly than world industrial production since the end of the war. In particular, the rise in inter-European trade in manufactured goods has been quite remarkable. There has been a corresponding relative fall in world trade in primary products, particularly if oil is excluded. One reason advanced for this relative fall is the preoccupation of a number of semi-industrialized countries with their industrial development to the neglect of their export trade in primary materials, and this has had to be countered, to some extent, by the use of synthetic products and by economy in the use of raw materials on the part of highly industrialized countries.

Import and Export Levels Compared

In money terms, Britain's imports in 1938 amounted to £920 million, in 1960 they had reached the record figure of £4,556 million, i.e. about five times as great. Exports and re-exports in the two years were £533 million and £3,678 million, respectively. Thus the 1960 level was some 6¾ times that of 1938. Within this growth, re-exports increased from £62 million to £142 million – very much less than the rate of increase in exports. Expressed as a percentage of gross national product, imports have risen from 18·1 per cent in 1938 to 20·4 per cent in 1960, whilst exports rose from 10·5 to 16·5 per cent. Thus overseas trade looms larger in the national economy than in pre-war days; export effort is relatively much more important. Exports in 1961 are likely to be about 3½ per cent greater than in 1960 and imports 3½ per cent lower.

In spite of the increased importance of exports, Britain's share in world trade in manufactures was lower in 1960 than in 1938. In that year, Britain provided 22 per cent of this trade, against 16 per cent in 1960. Japan held about 7 per cent in both years, West Germany's share had risen

from 15 to 19 per cent, that of the United States from 20 to 22 per cent and 'other European' from 24 to 31 per cent. During 1961, Britain's share fell still further, but not to any alarming extent. The reasons put forward for this substantial fall compared with pre-war days are many and various. No doubt Britain's exports are not so competitive on price grounds as they used to be, but speed of delivery may also be a significant factor. Britain's traditional markets have not expanded so much as those of her competitors. Other factors which have been mentioned are inadequate attention to design, marketing and salesmanship, and poor repair facilities and after-sales service.

In pre-war days, 40 per cent of Britain's imports came from Commonwealth countries and the Irish Republic whilst 50 per cent of her exports went there. The percentage of imports from these countries in 1960 was also 40 but the proportion of exports to them had fallen to 44 per cent. In 1938, a further 28 per cent of Britain's imports came from Europe and 30 per cent of her exports were taken by European countries. Current proportions are 31 per cent for imports and 32 per cent for exports but the latter has been steadily rising in recent years. These trends are interesting in relation to Britain's application to join the European Common Market and the reactions of Commonwealth countries to this application. Significant changes have also occurred in the proportion of trade with the United States. In 1938, 12½ per cent of import trade and 5·3 per cent of export trade was with the United States; in 1960, imports were still about one-eighth of the total, but exports had risen to 9·3 per cent.

Changed Nature of Foreign Trade

Food, drink and tobacco made up 47 per cent of United Kingdom imports in 1938, raw materials accounted for 28 per cent and articles wholly or mainly manufactured, 25 per cent. Today, the proportion taken up by food, drink and tobacco has fallen to one-third, basic materials make up 23 per cent, petrol and petroleum products a further 11 per cent, whilst manufactured goods have risen to 32 per cent. This latter percentage has steadily grown in recent years, it reflects the effect of liberalization measures and the growing trade with Europe.

In 1938, coal exports were 8 per cent of the total, today the proportion is under 1 per cent but petroleum products account for 3 per cent of total exports compared with a negligible proportion in pre-war days. The proportion of textiles and clothing exported has fallen heavily – from 22 per cent of all exports to less than 8 per cent, but engineering products which accounted for 28 per cent in 1938 now make up slightly more than half. Chemicals have also increased their share of our export trade – from 6 to 9 per cent. Manufactured goods of all kinds made up 78 per cent of exports in 1938, they now constitute 85 per cent. Even so, the export of ships and railway rolling stock has declined in relative importance since 1938 but engineering and chemical exports now contain many products which were unknown in 1938 or hardly figured in exports. Thus, aircraft and aero-engines now account for 4½ per cent of exports, electronic equipment nearly 2 per cent and agricultural tractors 2½ per cent compared with 1 per cent, a half of 1 per cent and less than one-half of 1 per cent respectively, in 1938. The export of cars and commercial vehicles is now relatively much more important than in pre-war days.

Import and Export Prices and Terms of Trade

By linking together index numbers of import and export prices based on a number of earlier years to the current indices which are based on 1954, it is possible to get an indication of price changes between 1938 and now. These indices allow for the changes in the pattern of imports and exports already discussed in previous paragraphs. This linking process suggests that the price index for imports in 1960 was of the order of 375 and that for exports 350, both based on 1938=100. Since then there has been a slight fall in import prices and a rise in export prices and by the third quarter of 1961 the two indices were quite close to one another in the 352–362 range. From these figures it appears that the terms of trade in 1960 were about 8 per cent higher than 1938 and currently they are but 3 per cent higher – a situation vastly different from that obtaining in the early fifties.

These price indices may also be used to convert imports and exports expressed at current prices to their equivalent at constant prices. Applying these figures it would seem that 1960 exports in real terms were about double those of 1938, whilst imports had risen by just under one-third. In spite of the rather depressing fall in Britain's share in world trade, it can at least be mentioned that it is something of an achievement to have doubled 1938 exports having regard to the fact that export trade was practically non-existent at the end of the war.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

EAST AFRICA

Income Tax Report

THE East African Income Tax Department says its recently published report for the year ended June 30th, 1961, has been responsible for the assessment and collection of income tax in Kenya, Tanganyika, Uganda and Zanzibar, of Asian and European hospital tax in Kenya, and of education tax in Zanzibar. The total number of taxpayers at the end of the year was 123,797 – an increase of slightly more than 2,000. In 1951 there were less than 43,000.

Over £18 million in tax was paid over during the year to the various governments. Kenya with nearly £10 million took the lion's share; Zanzibar took £187,463; while Uganda and Tanganyika took between £3 and £4 million each. There are the usual voluminous statistics about incomes, assessments and so on, for the four territories separately. A good deal of tax, notably from pensioners and from English companies trading in the territories, is assessed and collected in London.

The Commissioner, in his report, pays tribute both to his staff and to the 'local committee' which correspond to our local General Commissioners. One of the Department's problems is to discover a satisfactory source of staff for the professional grades of assessor and above. The Commissioner also hopes for the simplification of the taxes themselves, and therefore of the Department's work, so that future recruits in all grades may have a reasonable chance of providing an efficient service. Local recruitment is being pursued but a disappointing feature has been the large number of African recruits who have resigned after a few months' service in order to take up scholarships or better paid jobs in other Government departments or in commerce. Thirty per cent of African recruits left the Department after an average of three and a half months' service. Twenty-four tax officers at present on temporary transfer from the Board of Inland Revenue in England will revert to that service during 1962 and 1963. As in Britain a good deal of the report is taken up with back duty and evasion, problems which seem to rear their ugly heads wherever there is direct taxation.

AUSTRALIA

Second Chartered Accountants' Congress

THE Institute of Chartered Accountants in Australia, which is organizing its second all-Australia congress (see *The Accountant*, November 4th, 1961) to be held in Sydney from May 7th–10th, has now issued details of the technical sessions which will be held at the Chevron-Hilton Hotel – the Congress headquarters. An outline of the programme is as follows:

First session: May 8th. Subject: 'Our formal opinion as auditors'.

'How we should arrive at our opinion', by Mr E. L. Flook, F.C.A.

'What should our opinion mean to the shareholders?', by Mr R. M. Wylie, F.C.A.

Second session: Subject: 'Our opinion as investigator or valuer of business undertakings'.

'Current concepts of the conduct of investigations', by Mr A. S. McLaughlin, F.C.A.

'The Chartered Accountant as valuer of business undertakings', by Mr R. E. Tonkin, F.C.A.

Third session: May 9th, Subject: 'Our advice as consultants'.

'Various types of consultants and their qualifications', by Mr R. G. W. Wood, F.C.A.

'The financial consultant', by Mr N. F. Stevens, F.C.A.

'The consultant on organization, systems and management', by Mr E. S. Owens, F.C.A.

Fourth session: May 10th. Subject: 'Professional independence and integrity'.

One paper only to be presented by Mr B. R. Macklin, F.C.A.

UNITED STATES

Opposition to Tax Proposals

THE Committee on Federal taxation of the American Institute of Certified Public Accountants is strongly opposed to the majority of the tax proposals of the Kennedy Administration. In a thirty-two-page statement sent to the chairman of the House Ways and Means Committee, which is shortly to consider a draft of the new legislation, the Committee declared many of the proposals unnecessary and unworkable.

The Committee level special criticism at provisions for taxing entertainment and travel expenses and withholding tax on interest and dividends. Tax credit for purchase of plant and equipment was approved, but not as a substitute for depreciation reform.

They believe the present law is clear as to what is properly allowable as business entertainment and travel expenses. 'The problem is one for administrative emphasis rather than a change in law'.

'We certainly do not condone abuses', the Committee continue. 'On the other hand we do not agree with any implication that the present rules regarding entertainment and travel expenses are improper or immoral.'

The Committee also deemed unnecessary the

withholding of tax on interest and dividends, in view of the establishment of the taxpayer identification numbering system and automatic data processing by the Internal Revenue Service.

'It is obvious', the Committee state, 'that the Commissioner of Internal Revenue feels that the mere authority granted by Congress to establish a numbering system to ferret out omissions of taxable income in the dividend and interest area, particularly, will go a long way to reducing or substantially eliminating the reporting gap.'

The Management Accountant's Opportunity

THE management accountant's first duty, says Mr W. H. Franklin, Vice-President of Caterpillar Tractor Co, in the *N.A.A. Bulletin* for October, is to realize, and make companies realize, that all the barnacles must go, costs must be reduced to a greater degree than perhaps is thought possible. He must understand the choice before America today – whether to restrict competition from abroad by tariffs, quotas, boycotts, or to work to increase exports and compete, the only proper choice. He must help management to understand that the easy solution of Government protection is wrong. Finally he must make sure that the general public – labour management, politicians, everyone – understands.

While the public has not yet made up its mind, Mr Franklin warns that there is not much time. America is at the cross-roads of isolationism and less trade, with fear, distrust, envy and perhaps war or trade with brotherhood, trust, respect and peace.

A Unified Cost Concept?

IN a discussion on management accounting techniques in the same issue of the *Bulletin*, Mr Eric L. Kohler, C.P.A., considers the possibility of a trend towards a unified cost concept. He thinks, with some hesitation, that such a trend exists. LIFO inventory valuation, fixed asset revaluations, accelerated depreciation and the present recording of future obligations, these seem at first to be evidences of movement away from unity. But the advocacy and practice of LIFO is beginning to be recognized, he says, as a major divergence from the orderly application of accounting concepts. LIFO found its way into a limited number of books of account because Congress was unwilling to permit LIFO for taxation without its expression in external reports. Not only has the meaning of financial statements been thus impaired but a serious blow has been dealt to the orderly development of management accounting.

On the subject of valuation of inventories of manufactured products at the standard cost of direct materials and direct labour, Mr Kohler states that this has not yet received the blessing of the American Institute, the Securities and Exchange Commission and the Internal Revenue Service but, if acceptance by accountants increases, approvals are certain to follow as a logical outgrowth of what appears today to be the best in management accounting.

Status of the Accounting Profession

IN a leading article in the October issue of the *Journal of Accountancy* devoted to a consideration of the public image of the certified public accountant, Senator William Praxmire is said to have held up for several days Senate confirmation of a C.P.A. as a member of the Federal Power Commission, saying: 'This specialized and particularized kind of expertness represented by an accountant . . . can be represented very well at the staff level. At the Commissioner level the viewpoint should be of broad-gauge concern with the public interest.' As to the accountant: 'The expertise is narrow. He is not a lawyer. He does not have the generalized viewpoint that perhaps an engineer might have. He is an accountant . . . .'

The article comments that it is apparently not generally known that Chrysler, Crucible Steel, Ford and others of the largest companies have, in recent years, chosen as president or chairman of the board men who started their careers as accountants, many as C.P.As. The significance of accounting in analysis of business problems and decision making is not widely understood.

A survey among students at Michigan State University is said to have shown the accountant at the bottom of the list of professions as viewed by students. They see him as a conformist whose job provides the least personal satisfaction and little in the way of success, pay or status. The article concludes that, if the real significance of professional accounting is to become better known it must be members of the profession who do the job, they must 'toot' their horns a bit louder.

NETHERLANDS

The Netherlands Institute

AT the recent annual general meeting of the Nederlands Instituut van Accountants, Mr H. C. Treffers, was re-elected President and Mr F. van Amerongen was elected Vice-President.

The resigning members of the Council, Messrs Diephuis, De Korte and Wisse, have been succeeded by Messrs A. C. Bakker, Jr., B. A. E. van Doorne, and W. Schmidt. Mr H. Gerritsen, has been appointed honorary secretary.

SOUTH AFRICA

P.A.Y.E.

DR DONGES, the Minister of Finance, has confirmed that a draft bill providing for the introduction of a P.A.Y.E. system of income tax is to be submitted to a select committee in the next Parliamentary session.

It is expected that the P.A.Y.E. system will be brought into effect during the next tax year which begins in 1962.

Weekly Notes

DECIMAL CURRENCY COMMITTEE OMISSION

THE names of the members of the Exchequer Committee of Inquiry into decimal currency were announced by the Treasury last week. They are – Professor R. G. D. Allen, Professor of Statistics, London University; Mr Vernon Ely, of Elys (Wimbledon) Ltd; Miss Anne Godwin, Chairman of the T.U.C.; Mr J. M. A. Smith, F.C.A., part-time member of the National Coal Board and formerly assistant managing director, Ford Motor Co Ltd; and Mr R. G. Thornton, director, Barclays Bank Ltd.

It is more than surprising that no one from the practising side of the accountancy profession has been chosen. Mr J. M. A. Smith is a member of The Institute of Chartered Accountants in England and Wales but he, presumably, has been selected for his knowledge and experience of large-scale industry, his professional qualification, in this case, being incidental. The list includes, as well as another industrialist, a statistician, a banker and a political representative. As one of the tasks of the committee is to assess the cost of the changeover to decimal coinage, it is but logical to suppose that the services of a practising accountant would have been indispensable even although the committee will have the help of three assessors from the Bank of England, the Royal Mint and the Treasury. When Parliament reassembles, it is to be hoped that some accountant member of the House will draw the attention of the Chancellor to this glaring omission for while there is no doubt that the persons selected will tackle their brief efficiently and expeditiously, they would have been even better equipped to do so had an accountant in practice been one of their number.

BUDGET SUGGESTIONS

TWO recent pre-Budget letters addressed to the Chancellor of the Exchequer bear remarkable similarities. One letter comes from the President of the Association of British Chambers of Commerce, Sir James R. H. Hutchinson, Bt, the other from Mr Geoffrey Stevens, F.C.A., M.P., in his capacity as chairman of the Executive Council of the Income Tax Payers' Society.

Both letters suggest a greater emphasis on indirect taxation, to the relief of taxes on income and profits, even mentioning a possible extension of indirect taxes to non-essentials not already taxed. The Income Tax Payers' Society boldly asks for a reduction in the income tax standard rate, whereas the Association thinks that any such reduction as was possible would be too small to make an impression, and therefore asks rather for an increase in personal allowances. Both letters mention the need to encourage of exports, while recognizing the difficulty of discriminatory taxation for such a purpose. The Association attacks the industrial oil tax and the tax on commercial stationery, as well as stamp duties on stock exchange transactions. It considers that the latter should be dropped if a capital gains tax is introduced. The Association also makes representations on minor income tax matters: a liberalization of Schedule E expenses allowances, the allowance of the cost of tax appeals (with safeguards against abuse), the inclusion of foreign registered companies as overseas trade corporations, a liberalization of double tax relief, and a longer period for partnerships to elect for 'continuing basis'.

The Society points out that it is now three years since the income tax exemption limit for old persons was last increased. It presses for the deduction of subscriptions to educational establishments in favour of professional persons as well as traders. Finally, the Society thinks that seven-year covenanted payments to charities should qualify for relief from surtax, as well as income tax.

MANUFACTURERS AND THE BUDGET

THE views of the National Association of British Manufacturers on what the Chancellor should do in his Budget in April were made known last Monday. The Association put forward a seven-point proposal as a pre-requisite of the achievement of an expansion in exports. The memorandum contains a vigorous protest against the increase last year in the rate of profits tax and argues that not only should this be withdrawn but that in fact the tax should be further reduced. New plant and machinery should be capable of being written-off in three years, and the rate of depreciation on old plant accelerated.

The Association is no more in favour of the economic regulators introduced in 1961 than it is in favour of the impost on heavy oil, imposed at the same time. It argues that the 10 per cent surcharge on purchase tax is a burden on industry and has not been effective in reducing unnecessary consumption. It does not agree that a tax incentive to exporters is impracticable, but is prepared to accept equivalent encouragement in another form. For the long term, the Association suggests that profits tax and income tax be amalgamated to form one tax on corporate bodies. Equally, for individuals the income tax should be amalgamated with surtax.

Estate duty rates, says the Association, should be reduced in order to lessen the burden on small manufacturing businesses, and it suggests that it should be possible to take out a life insurance policy in favour of the Estate Duty Office which would not be aggregable with the deceased's other estate; thus

estate duty could be provided for without too much detriment to the business. Finally, it is urged that the system of indirect taxation should be rationalized and simplified.

GIFT NOT DISCLOSED TO ESTATE DUTY OFFICE

ON Monday the Birmingham Quarter Sessions imposed a fine of £2,000 on John Ralph Aspey, a sub-postmaster, aged 53, of Chesterwood Road, King's Heath, Birmingham; with nine months' imprisonment in default of payment. He was ordered to pay costs up to £150. As reported in *The Times* of January 16th, Aspey had pleaded guilty to delivering to the Estate Duty Office an affidavit in which he swore that his mother had made no gifts within five years of her death, whereas she had given him sums totalling £15,000 during that period. The prosecution accepted his plea of not guilty to a second charge that he made a return to the Estate Duty Office in which he falsely declared that the amount given him by his mother in December 1957 was £4,500 whereas it was £5,000, and failed to disclose a £10,000 gift in November 1955.

The Recorder said that Aspey's previous good character, the state of his health, and the fact that he disclosed the gifts to another branch of the Inland Revenue in his tax returns, had saved him from the punishment proper to the offence. Defendant was said by his counsel to be suffering from a spinal condition which had created great weakness and debility, physical and mental.

REPORT ON RESTRICTIVE PRACTICES

THE Stationery Office have published the report for the period January 1st, 1960, to June 30th, 1961, of the Registrar of Restrictive Trading Agreements (Cmnd. 1603, H.M.S.O., 2*s* 6*d* net). In this period the number of agreements on the register increased from 2,240 to 2,350, although of course it must be borne in mind that agreements which have been determined remain on the register in the normal way. The fifty or so new agreements made and registered during the period mostly bore some relation to previously registered agreements and were either sequels or rearrangements.

The Registrar makes some interesting observations. There has naturally been an increase of cases where, without any agreement, information about prices charged are circulated in a particular trade, with the natural result that prices tend to become standardized in an informal way. The Restrictive Practices Court has never yet been satisfied that the ending of a price agreement would lead to any substantial debasement or deterioration of quality. It is often impracticable for a manufacturer to make both normal and debased qualities, let alone to ensure that the better quality reaches the larger purchasers. Nor has the Court been satisfied that price competition would lead to a curtailment of research or development which would deprive the public, as customers, of a benefit. Technological progress is more than ever necessary in competitive conditions. In Yarn Spinners the Court found that the price scheme had seriously retarded the contraction of capacity to match reduced demand, thus causing a waste of national resources.

The report contains notes on decisions reached by the Court in the period under review. On the Motor Vehicle Distribution Scheme Agreement the Court found that the restrictions were contrary to the public interest. One item was the allowance of a special discount to fleet users, which was defended primarily on the ground that, since the discount depended on the size of the fleet and not on the size of orders at one time, the fleet user was spared the temptation to buy unsuitable vehicles. The Court did not accept that, even if fleet users were exposed to such temptation, the public would be in danger to life and limb from the unsuitable and ill-repaired vehicles which fleet users would put on the roads. The Court also found that the signatories to the agreement had been guilty of unreasonable conduct in relation to the discovery of documents both before and during the hearing. This had increased costs, prolonged the hearing, and put some witnesses in a very embarrassing position. The Court ordered the signatories to pay 3,000 guineas costs to the Registrar.

TRADE POSITION – LITTLE CHANGE

IF allowance is made for seasonal adjustments the latest trade returns for the United Kingdom show little change in the overseas trading position since December. Exports were £8 million down at £297 million and imports were up by £9 million to £350 million while re-exports were unchanged at £14 million. Thus allowing for seasonal adjustments the trade gap was £2 million lower at £39 million.

Taking the fourth quarter of the year by itself, exports were 1½ per cent lower and imports 1½ per cent higher than in the third quarter. The balance of visible trade was thus little changed and where there was a slight shift, it was hardly for the better. Imports were still significantly buoyant despite the de-stocking policy of British industry over the last six months. On the export side the picture is somewhat disappointing but allowance has to be made for the fact that the trend of world trade in the second half of 1961 was less expansionary than in the previous period. It has also to be borne in mind that although a dearer money policy can be quickly instituted once the decision has been taken to do so, some time must elapse before the export trade can re-act to it.

The indications remain, however, that 1962 will be a good year for exports. The success of the six member-countries of the European Common Market in agreeing their agricultural policy must give an impetus to a continuing high rate of progress in the economic development of the E.C.M. This being so the future of the western European market is good

and it is towards this market, rather than to the Commonwealth, that the Government is looking for an impressive recovery in the rate of growth in our exports. Such a growth, if it occurs in 1962, could coincide with boom conditions in North America, which would also help exports.

OUTLOOK FOR STEEL

THE year just ended was a disappointing one for the steel industry and because the use of the metal is so widespread, its lack of buoyancy was a fair indication of the general absence of robust confidence in the rest of the economy, especially as regards capital goods.

In the course of 1962, the industry's capital projects already in hand will come to fruition and some big expansions in capacity are in the offing. Aided by Richard Thomas & Baldwins' new plant in South Wales and the new strip mill in Scotland put up by Colvilles, the industry will soon be able to produce at the rate of twenty-nine million tons of steel a year. The Iron and Steel Federation [illegible]ts steel production to be at about the same level [illegible] year – which is expected to have closed with [illegible]at just over twenty-two million tons, a drop of [illegible]ent on 1960 which was a record year. There is [illegible] prospective gap of seven million tons between [illegible]y and output.

[illegible]e big question mark for 1962 is how far high [illegible]erest rates and a general climate of caution in industry will make steel users keep their stocks at a low level. The fall in output over the last year was due mainly to destocking by merchants and users. A general recovery in sentiment might encourage users to raise the level of their stocks but the known trend of capital investment suggests that there is likely to be little incentive to raise levels significantly before the second half of the year. In any case, a gradual recovery rather than a buying spree by steel consumers would suit the industry best.

CHURCH OF ENGLAND FACTS AND FIGURES

THE average parochial benefice income for 10,232 Church of England incumbents in 1960 was £790 according to the revised edition of *Facts and Figures about the Church of England*[1] published last week by the Church's Central Board of Finance Statistical Unit. In addition, 6,071 incumbents received a total of £493,376 from chaplaincies and other posts.

Financial tables showing average benefice incomes and income expenditure of parochial church councils are among informative statistics given in this enlarged edition, last published in 1959. A breakdown of benefice incomes in 1958 shows that incomes ranged from £625 a year for incumbents with livings of less than 500 people, to £929 a year for those with populations of over 20,000. Total income of the parochial church councils amounted to £18,592,144. Sources included collections taken in church (£3,684,677); planned giving, freewill offerings, Easter and Whitsun offerings and church box collections (£3,301,180); income from rents of church properties and trust funds amounted to £721,516, while special appeals and legacies realized £3,777,291.

In an introductory article the Bishop of Middleton, the Right Rev. E. R. Wickham, declares that 'sociological studies provide the Church with new tools, new measuring instruments of situations, trends, areas of strength and weakness, and a map and compass for charting her mission'. The figures and tables, he points out, need careful use and interpretation, but the material provided will allow planning and action to proceed on the basis of fact rather than 'hunch'.

Legacies and bequests received by the parochial church councils in 1958 totalled £757,721. The highest total was recorded by Exeter (£68,435), followed by London (£57,841) and York (£50,121).

An accompanying note points out that the average estate in 1958–59 was nearly £13,000, and as the average church benefaction was £253, each of the benefactors bequeathed not quite 2 per cent of his estate to his parish church.

[1] Church Information Office, Church House, Dean's Yard, London SW1. Price 21*s*, by post 22*s* 6*d*.

TENANT IN LIQUIDATION TO FORFEIT LEASE

A LEASE to a company normally contains provision for forfeiture in the event of the tenant company going into liquidation. Section 146 of the Law of Property Act, 1925, provides some protection to a tenant where there is a forfeiture clause in his lease. Another common provision in a lease is that the tenant shall not assign without the landlord's consent, such consent not to be unreasonably withheld. These matters were the subject of litigation in *Geland Manufacturing Co Ltd v. The Levy Estates Co Ltd.*

The plaintiff had a lease from the defendant incorporating the provisions mentioned above. Owing to financial difficulties it was forced to go into a creditors' voluntary winding-up in January 1961. It was arranged that the liquidator should sell the company's assets to a subsidiary company which would resell them. The liquidator took steps to acquire a 'ready-made' company, Milldrin Ltd (which had no trading record) for this purpose and he wrote to the defendant for permission to assign the company's lease to Milldrin Ltd. Representatives of both sides met, after correspondence, with a view to a Mr Barr (or a private company controlled by him) becoming guarantor of Milldrin Ltd. On January 10th, 1961, the plaintiff agreed to sell its assets to Milldrin Ltd on terms, *inter alia*, that Milldrin Ltd would pay £9,524 in cash, but £9,400 was to be left outstanding as a loan repayable at

seven days' notice, since Milldrin Ltd did not have the money.

The landlord refused to allow assignment; he took steps to forfeit the lease. The plaintiff applied to the court for relief from forfeiture and a declaration that it was entitled to assign the lease to Milldrin Ltd. The landlord counterclaimed for possession. Rejecting the plaintiff's claim, and finding for the landlord, Mr Justice Wilberforce said the case was not based on any willingness or ability of the plaintiff to remedy the breach which it had committed by going into liquidation. The correspondence and other evidence showed that the plaintiff never put forward a definite proposition for assignment beyond the agreement for sale. Under that agreement the proposed assignee would be in debt to the extent of £9,400, which could not be acceptable to the landlord. Mr Barr had not committed himself to assuming liability under the lease. It would be improper to force on the landlord an assignment to a company in the position of Milldrin Ltd. The landlord was awarded possession within twenty-eight days, and costs.

This is My Life . . .

by An Industrious Accountant

CHAPTER 107

I WONDER why the man in the street knows so little of the accountant's functions; why the term 'auditor' makes such a vague impact on him? Probably, because we ourselves often tend to describe our work in technical terms, it fails to hold human interest for the outsider in quite the way that a barrister's or an architect's does.

I read a story about a professional auditor when I was young, and at the time it left me completely mystified as to what on earth he was doing; so I looked it up again recently. It was a Conan Doyle short story, *The Silver Mirror*, written about 1900, probably one of the earliest works of fiction which our profession has inspired; it was clear that Doyle himself was just as much in the dark about auditing as I was. He merely used the auditor as the peg on which to hang his story.

Yet Doyle usually revelled in detail. He was meticulous about Sherlock's clues, or Brigadier Gerard's campaigns, or even the arrows borne by the White Company as it marched to war behind Sir Nigel. Did his tale represent the standard of knowledge, or the lack of it, of the typical Victorian?

The story is simple enough. It is told, in the first person, by the junior partner auditing the accounts of White & Wotherspoon; it is his first big solo job and he is thrilled at getting such a chance. He has to analyse twenty huge ledgers to track down a suspected swindler, but overwork is bringing him to the verge of a nervous breakdown. It is a rush job; the deadline is almost upon him. Will he make it in time? It seems, however, that he can gauge his chances of success: when his head swims, the ancient mirror beside him clouds over; when his overtaxed brain is bursting, he sees in the swirling mist a woman's eyes, and menacing, evil movements around her.

We do not know the details of the swindle. The criminal is apparently a fat, red-faced alderman, but whether director or trustee or manager (inconceivably a chief accountant?) we never learn. The junior partner plods through the ledgers one by one, working from 10 a.m. to 5 p.m., and from 8 p.m. to 1 a.m. – a time-table which he finds almost intolerable. (I worked almost as long hours before my Final, so I know the symptoms, but nobody thought me overworked.) The woman's agonized face is clear now; the crouching man beside her is begging for his life.

The junior partner labours on; his doctor k[illed] him going with stimulants. In the very first l[edger] he found 'the first trace of defalcation'; by the [end] he is 'winding the net, coil after coil, ro[und] suspect's bulky body'. He doesn't specify w[hat] found; he only tells that his heart, his eyes, his [brain] all are behaving treacherously. It apparently [does] occur to him to co-opt a colleague, let alo[ne] articled clerk, to devil for him. He presses on rega[rd]less; the assassins close in sword in hand.

At the last ledger we approach the climax; surely Doyle must reveal some details of the fraud at last. He does, though his list shows signs of hasty patchwork. Here it is: 'False balance sheets, false trading accounts' (presumably the fiddling went on for years); 'dividends drawn from capital, losses written down as profits' (was Redface launching a crooked prospectus?); 'suppression of working expenses' (it sounds impressive, but how does one suppress them?); 'manipulation of petty cash' (rather a come-down, but it pads the list). By all accounts it was in fact high time that the junior partner had been called in for Redface was obviously no mean hand at faking the books.

But the poor junior partner had driven himself too hard; his nervous system finally gave way. Adding up the last column, throws down his pen, and looks up to see in the mirror the butchery starting and – collapses in a heap. Three weeks after, waking up in hospital, he finds that his figures have proved the case and his hunt is over. But he hardly notices – he is much more interested in the history of the queen of the mirror.

That's how auditing looked to the outsider about the turn of the century. True, Conan Doyle pays tribute: 'There's drama in an accountant's life . . . hard work but rare sport', but his portrayal still remains nebulous. It would be interesting to know of any other early fiction bringing in the profession.

Reviews

A Standard Account for Landed Property Investment

Research Study No. 1 of the Chartered Land Agents' Society. (Estates Gazette Ltd. 6*s* 6*d* net, postage 9*d*.)

Eighteen months ago the Chartered Land Agents' Society set up a study group to inquire into and report on the application of modern accountancy techniques to investment in agricultural estates. This is the first of the group's series of research studies to be issued. Its aim is to devise a standard form of account by means of which estate results can be measured, with particular reference to the value of agricultural property as an investment and so that a common form may be used to compile statistics of relative performance.

Essentially this standard form is a business balance sheet and revenue account, with certain interesting modifications. The balance sheet is designed to emphasize the cumulative effect of capital changes. It has three columns to each side, being the commencing figures, increase or decrease during the year, and closing figures; thus incorporating a statement of capital changes. A value is placed on the estate as at the commencement of the account and provision is made not only for realized capital profits but also for periodical revaluations. We have, therefore, orthodox accountancy meeting facts which have contributed to take-over techniques – a situation which should appeal to many present-day landowners.

It is too early, yet, to judge the ultimate value of this and future studies, but it cannot fail to advance and stimulate the knowledge of a subject which may hitherto have been too inclined to rely on traditional methods.

Silke on South African Income Tax

Second edition by A. S. SILKE, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). (Juta & Co Ltd, Cape Town.) (U.K. agents, Sweet & Maxwell Ltd, London.)

To accountants and tax practitioners in Britain, the name of Dr Silke is synonymous with South African income tax. His series of *Illustrations to Income Tax* was developed into a full textbook, rich in examples, which was first published in 1957. This second edition brings in the Income Tax Act, 1961, and intervening changes but it does much more than bring the first edition up to date. In particular there is a great improvement in the printing and binding so that the present volume is a really handsome one which bears comparison with the best of English textbooks. The book's subtitle is *An exposition of the law, practice and incidence of income tax in South Africa*. To recommend this book to all who are concerned with that subject is to stress the obvious, for we know of no better book for this purpose.

The author has agreed with the publishers to prepare and edit a continuous income tax service commencing this year, to be known as 'Juta's Practical Income Tax Service'. It is to include regular practical bulletins every six to eight weeks, commentaries on the annual tax legislation of the Republic of South Africa and of South-west Africa, the annual consolidated income tax Acts of these territories, an annual book of tax tables, free subscriptions to the *South African Tax Cases Reports*, and the opportunity to purchase at a discount new editions of *Silke on South African Income Tax*, which are expected to appear every two years. The annual subscription to the new service is £6 10*s* plus 8*s* postage.

United States Fiscal Policy, 1945-59

by A. E. Holmans. (Oxford University Press, London. 40*s* net. United Kingdom only.)

The sub-title of this doctoral thesis stresses the contribution of fiscal policy to economic stability and it is with this aspect of American taxation that the author is concerned. He has provided a serious and competent description of the manner in which the successive post-war administrations of the United States have employed fiscal policy to maintain economic stability.

While some part of the undoubted success which attended these efforts may be ascribed to good fortune, Dr Holmans stresses that good management also played its part. He provides an interesting account of how, after Korea, the United States Government turned from fiscal policy to monetary policy, just as did the British Government. Dr Holmans has sketched in the American political background where it helps to throw light on the problems confronting the administration. For the reader interested in the post-war American scene, this is an interesting and competent study.

Eurotariff Service

Published by Eurotariff N.V.
(World-wide distributors: Creative Journals Ltd, 85–87 Jermyn Street, London SW1. Subscription 75 gns a year.)

Whether this country goes into the European Common Market or not, trade and industry in Britain wants to know rapidly and accurately the tariff changes which are going on all the time within the E.C.M. The six member-countries are now in process of eliminating their tariffs against one another and erecting a common tariff against non-members. Following the effect of each tariff change through the maze of product definitions for each country would clearly be a difficult task. It is beyond the resources of most companies to do it either rapidly or accurately.

The Eurotariff Service offers a basic 800-page code tabulating all duties effective on January 1st, 1961,

and listing changes up to April 1st, 1961. Amendment sheets, clearly necessary if the work is to have current value, are issued for continuing tariff changes and are included in the subscription price. The classification of products has been made possible by using the new standardized Brussels Nomenclature and code numbers.

This service is not cheap at 75 guineas. It could hardly be so if it is to be accurate and up to date. It will, however, be exceedingly valuable for those who export a selection of products to the Common Market area.

For those companies or organizations not requiring the whole service, a sectionalized service in loose-leaf form has recently been introduced with an annual membership subscription of 15 gns. There is a fee of £5 for each section of five or less chapters, or a fee of £10 for each section of more than five chapters.

Official Year-Book of the Church of England, 1962

(The Church Information Office, Church House, Westminster, SW1, and the Society for Promoting Christian Knowledge, Holy Trinity Church, Marylebone Road, London NW1, 30*s* net, by post 31*s* 6*d*).

The 1962 edition of this useful work of reference – now in its seventy-ninth year – contains all the invaluable features which make it indispensable for clergy, parochial church councillors, ordinary churchgoers, and all who are in any way concerned with or interested in the administration of the Church of England.

A section of nearly one hundred pages comprises the names of the bishops, deans or provosts, other principal clergy, diocesan officers and members of the Church Assembly for each of the forty-three dioceses of England and Wales, and a following section deals with the other churches of the Anglican Communion. There is also a 'who's who' of members of the Church Assembly, and some of its boards and councils. An alphabetical summary of legal information, compiled under the authority of the Legal Board of the Church Assembly, deals with such matters as alms and collections, dilapidations, fees, patronage, vestries and Easter and Whitsun offerings.

The year-book also contains the text of several Church Assembly measures and regulations, and has a comprehensive index to facilitate easy reference.

Office Equipment News Standard Reference and Data Book: Buyer's Guide 1961-62

(Business Publications Ltd, London SE1. 42*s* including postage.)

The variety of today's machines, systems and devices for promoting efficiency in the office is such that no business man can possibly know of more than a small fraction of them. Yet it is vitally important that he should install the equipment designed specifically for the purpose he has in mind. This new guide to office equipment and appliances admirably meets this requirement, together with the needs of buyers of office equipment.

A useful work of reference, the book lists under some 300 classifications those office machines, systems, and devices, British and imported, now available in the United Kingdom. The uses and salient features of each machine are described, and there are listed the names, addresses and telephone numbers of more than 700 manufacturers. Also included, in a separate section, are the trade names of more than 3,000 items of office equipment. The book is copiously illustrated.

SHORTER NOTICES

COMPOUND INTEREST, by N. E. Sheppard and D. C. Baillie (University of Toronto Press, Oxford University Press, London. 48*s* net). This is a basic textbook on this branch of mathematics which will be useful to statisticians in stockbrokers' offices and to actuarial students. The accountant who likes playing with figures will find plenty to test his facility.

SAMPLING TABLES FOR ESTIMATING ERROR RATES OR OTHER PROPORTIONS, by R. Gene Brown and Lawrence L. Vance. (Institute of Business and Economic Research, University of California. No price stated). Although the practice of test checking entries in books of account and the partial vouching of documents is widespread in this country, the idea of using statistical sampling methods to determine the amount of test checking during an audit is somewhat novel, to say the least. It seems, however, as if the idea has caught on in the United States where two serious studies of this method have been published. The author of one of them has now produced, in collaboration with another accountant, this set of sampling tables to facilitate the determination of the size of the sample, given the required level of confidence. Two brief notes explain the use and applications of the tables.

RECENT PUBLICATIONS

PLAYING WITH INFINITY, Mathematics for everyman, by Professor Rózsa Péter. Translated by Dr Z. P. Dienes. xiii+268 pp. 9×5½. 25*s* net. G. Bell & Sons Ltd, London.

THE MANAGEMENT AUDIT, third edition, by T. G. Rose, M.I.MECH.E., M.I.P.E., F.B.I.M. viii+40 pp. 9×6. 10*s* 7*d* post free. Gee & Co (Publishers) Limited, London.

PALMER'S COMPANY GUIDE, thirty-seventh edition, edited by T. E. Cain, M.A.(OXON). viii+288 pp. 7½×5. 21*s* (United Kingdom only). Stevens & Sons Ltd, London.

SCHEDULE OF PAR VALUES, thirty-second issue. 22 pp. 9½×6. Card covers. International Monetary Fund, Washington, D.C.

NATIONAL INCOME AND EXPENDITURE, fifth edition, by Richard and Giovanna Stone. 118 pp. 7½×5. 15*s* net. Bowes & Bowes Publishers Ltd, London.

BOOK-KEEPING FOR BUILDERS AND SURVEYORS, by S. M. Bell, A.I.O.B., and M. Stewart, A.C.I.S. ix+126 pp. 9×6. 15*s* net. Sir Isaac Pitman & Sons Ltd, London.

A TEXTBOOK OF ECONOMICS, third edition, by J. L. Hanson, M.A., M.ED.(LEEDS), PH.D.(LOND.). 595 pp. 9×6. 20*s* net. Macdonald & Evans Ltd, London.

INDIAN TAX STRUCTURE AND ECONOMIC DEVELOPMENT, by G. S. Sahota. xiv+88 pp. 9×6. 21*s* net. Asia Publishing House, London.

THE ECONOMICS OF WAGES AND DISTRIBUTION OF INCOME, by D. J. Robertson. vii+242 pp. 9×6. 21*s* net. Macmillan & Co Ltd, London.

Finance and Commerce

Villiers

THE reprint this week is taken from the accounts of The Villiers Engineering Co Ltd, which produces the many forms of Villiers engine and through J. A. Prestwich Industries, the no less famous J.A.P. engines. It is rather extraordinary to notice that the group also includes Pencils Ltd which in fact makes – pencils.

The year's result is a loss of £452,929 (after depreciation and debenture interest) against the previous profit of £516,781. For this, Mr Leslie Farrer, the chairman and joint managing director, gives two main causes: 'The freeing of import restrictions in November 1959, which resulted in a flood of low-priced foreign industrial engines – mainly from the United States – into the United Kingdom' and the 'imposition of credit restrictions in April 1960, the first effect of which was the almost complete collapse of our sales of motor cycle, scooter and moped engines'.

Mr Farrer points to the 'almost 3½ to 1' proportion of the United States and United Kingdom populations and the higher American standard of living which gives a very large market for small internal combustion engines, which he estimates to be at least fifteen times the United Kingdom market potential. United States manufacturers in consequence can achieve very low production costs enabling them to sell at 'extremely competitive prices', even in the United Kingdom.

Factory organization and regular and economic production, Mr Farrer goes on, require long-term planning and 'the stronger and more stable our home market can be maintained by the Government's economic policy, the better able we are to do this, and thereby reduce our production costs and generally operate more efficiently'.

Costly Development

Mr Farrer admits that industrialists have said this over and over again but it doesn't appear to be fully comprehended by those who shape economic policy'. The company's products, he continues, do not enjoy the relatively high import tariff protection extended to the automobile and 'certain other favoured industries', and some foreign engines can be sold in the United Kingdom cheaper than the basic cost at which they can be produced in Britain.

Furthermore, he adds, an equipment manufacturer in Britain who buys a foreign engine at a price including import duty can, if this cost is less than a specified percentage of total cost of the product which he subsequently exports, not only reclaim the import duty but also claim the product as being wholly made in the United Kingdom and thereby obtain the benefits of imperial preference within the Commonwealth.

Mr Farrer emphasizes that it was imperative to continue the company's development programme. He reminds shareholders that it has always been the practice to write off design and development expenditure in the year incurred and that has been followed. He outlines the work on the prototype engines and says the greater proportion of the costs fall under the general heading of overheads and 'it is extremely difficult to form any accurate estimate of them'.

From Two to Four

In one direction the British small-engine industry has closed its ranks. After a lapse of four years, the company's association with Associated Motor Cycles (the Norton, A.J.S., James, Francis-Barnett group) has recently been renewed. A.M.C., in its boom days, put up its own engine factory but now – if one may hazard a guess – regrets it. And to start the renewed link-up, Villiers is supplying its 250 c.c. twin engine to go in the Francis-Barnett and James motor cycles.

When all is said and done, however, there is still the big query as to the future of the motor cycle as a general means of transport, when four wheels seem to be so well within the range of today's incomes. At the same time, scooter demand still seems to be satisfied with machines of foreign origin or design.

THE ACCOUNTANT

ANNUAL AWARDS for 1962

CLOSING DATE OF ENTRY

Selection of this year's winners of *The Accountant* Annual Awards for company reports and accounts has been started by the Panel of Judges, under the chairmanship of Mr K. W. Mackinnon, M.B.E., T.D., Q.C., but companies still have until *January 31st* to submit their reports and accounts presented at annual meetings held in 1961.

Entries should be addressed to The Secretary, *The Accountant* Annual Awards, 151 Strand, London WC2. The only condition of entry is quotation on a recognized United Kingdom stock exchange.

The Awards will be presented by the Lord Mayor of London, Alderman Sir Frederick Hoare, at the Mansion House on May 29th.

THE VILLIERS ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

PARENT COMPANY BALANCE SHEET — 31st JULY, 1961 — GROUP BALANCE SHEET

CAPITAL AND RESERVES

Parent 1960 £	Parent 1960 £	Parent 1961 £	Parent 1961 £		Authorised £	Group 1961 £	Group 1961 £	Group 1960 £	Group 1960 £
	375,000		375,000	**SHARE CAPITAL OF PARENT COMPANY:** 5% Cumulative Preference Shares of £1 each	500,000		375,000		375,000
	1,020,400		1,020,879	Ordinary Shares of 5/– each	1,750,000		1,020,879		1,020,400
					2,250,000				
	1,395,400		1,395,879	Issued and Fully Paid			1,395,879		1,395,400
	930,225		929,775	**CAPITAL RESERVES:** Share Premium Account	(Note 1)	892,836		893,286	
	—		—	Capital Redemption Reserve	(Note 2)	49,007		11,250	
	—		—	Excess of equity in Subsidiaries over cost of shares	(Note 3)	16,596		45,767	
							958,439		950,303
220,000		220,000		**REVENUE RESERVES:** Plant Replacement Reserve	(Note 4)	252,332		251,670	
407,240		149,125		Profit and Loss Appropriation Account		442,619		886,195	
	627,240		369,125				694,951		1,137,865
	2,952,865		2,694,779	**TOTAL OF VILLIERS SHAREHOLDERS' INTEREST:**			3,049,269		3,483,568
				INTEREST OF MINORITY SHAREHOLDERS: Preference Shares in a Subsidiary Company		290,693		328,450	
				Minority Interest in a Subsidiary Company		53,218		54,694	
							343,911		383,144
	600,000		598,650	**6% CONVERTIBLE DEBENTURE STOCK 1972/77**	(Note 5)		598,650		600,000
	132,000		—	**FUTURE INCOME TAX**			—		155,668
	67,640		64,259	**"FRANK FARRER HALL" FUND** (*Contra*)	(Note 6)		64,259		67,640
	3,752,505		3,357,688				4,056,089		4,690,020

REPRESENTED BY THE FOLLOWING NET ASSETS

Parent 1960 £	Parent 1960 £	Parent 1961 £	Parent 1961 £		Group 1961 £	Group 1961 £	Group 1960 £	Group 1960 £
742,336		782,889		**CURRENT ASSETS** *LESS LIABILITIES AND PROVISIONS:* Stock on hand and Work in Progress	2,119,253		2,297,956	
830,516		694,507		Debtors and Payments in Advance	1,171,403		1,286,019	
—		—		Bills Receivable	(Note 7) 43,870		36,075	
70,000		—		Tax Reserve Certificates	—		70,000	
216,849		575		Cash at Bank and in Hand	40,718		2,379	
1,859,701		1,477,971			3,375,244		3,692,429	
—		1,037,706		*Bank Overdraft*	1,312,362		90,697	
215,989		205,420		*Trade Creditors and Provision for Accrued Expenses*	384,354		484,768	
319,680		132,000		*Taxation (Income Tax due 1st January, 1962)*	138,802		396,242	
346		569		*Unclaimed Dividends*	569		346	
99,999		—		*Proposed Dividend on Ordinary Shares*	—		99,999	
636,014		1,375,695			1,836,087		1,072,052	
	1,223,687		102,276			1,539,157		2,620,377
19,933		19,933		**INVESTMENTS AT COST:** Quoted (Market Value: Parent £16,112; Group £104,862)	102,933		102,933	
8,964		8,964		Unquoted (Realisable Value: Parent £10,042)	8,964		8,964	
16,615		16,615		Unquoted	16,615		16,615	
	45,512		45,512			128,512		128,512
				FIXED ASSETS: Freehold Land, Buildings, Fixed Plant, Machinery and Fixtures, Loose Plant, Tools and Office Furniture as per Valuation 31st July, 1936	229,196		229,196	
229,196		229,196		Additions since at cost *less* sales	4,693,763		3,920,207	
2,297,788		2,839,872						
2,526,984		3,069,068			4,922,959		4,149,403	
1,777,174		1,962,174		*Deduct* Aggregate Depreciation to date	2,598,798		2,275,912	
	749,810		1,106,894			2,324,161		1,873,491
1,102,238		1,113,038		**SUBSIDIARY COMPANIES:** Shares at Cost	(Note 8)	—		—
563,618		925,709		Amount Owing		—		—
	1,665,856		2,038,747					
	67,640		64,259	**"FRANK FARRER HALL" FUND INVESTMENTS** (*Contra*)	(Note 6)	64,259		67,640
	3,752,505		3,357,688			4,056,089		4,690,020

LESLIE W. FARRER
H. GEOFFREY JONES } *Directors*

The notes on and forming part of the accounts are on [page 76]

THE VILLIERS ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year ended 31st July, 1961

1960 £	1960 £		1961 £	1961 £
		GROUP TRADING LOSS (PROFIT 1960) before charging		
866,273		items shown below		71,783
		Add (Deduct 1960):		
	270,932	Depreciation of Fixed Assets	319,934	
	32	Loss on Sale of Fixed Assets	143	
	9,706	Contributions to Pension and Superannuation Schemes	25,362	
	36,000	Debenture Interest (Gross)	35,919	
	300	Debenture Trustee Fee	300	
	33,371	Emoluments of the Directors of The Villiers Engineering Company Limited	13,371	
		Auditors' Remuneration:		
	1,250	The Villiers Engineering Company Limited	1,250	
	2,656	Subsidiary Companies	2,941	
	3,500	Payment to a retiring Director of Subsidiary Company	—	
357,747				399,226
508,526				471,009
		Deduct (Add 1960):		
	198	Transfer Fees	146	
	4,582	Income from Investments (Gross)	3,656	
	3,426	Interest (Bank and short term investment)	12,270	
	49	Interest on Bills of Exchange	727	
	—	Interest on Tax Reserve Certificates	1,281	
8,255				18,080
516,781		LOSS BEFORE TAXATION (PROFIT 1960)		452,929
		Add (Deduct 1960):		
		Taxation for year:		
	135,275	Income Tax } United	3,175	
	40,735	Profits Tax } Kingdom	—	
	62,310	Australian Taxation	575	
238,320				3,750
278,461				456,679
		Deduct:		
—		Taxation provisions no longer required		35,791
278,461		LOSS AFTER TAXATION (PROFIT 1960)		420,888

(Of this amount £246,631 (£184,666) has been dealt with in the Books of The Villiers Engineering Company Limited.)

THE VILLIERS ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT

For the Year ended 31st July, 1961

1960 £	1960 £		1961 £	1961 £
278,461		BALANCE TRANSFERRED FROM CONSOLIDATED PROFIT AND LOSS ACCOUNT (PROFIT 1960, LOSS 1961)		420,888
		Deduct:		
29,971		Transfer to Plant Replacement Reserve		—
248,490				420,888
		DIVIDENDS:		
		THE VILLIERS ENGINEERING COMPANY LIMITED for the year to 31st July, 1961 (*less* Tax):		
	11,484	Preference	11,484	
	99,999	Ordinary (Proposed)	—	
	111,483		11,484	
		SUBSIDIARY COMPANIES:		
		Minority Shareholders:		
	11,152	Preference	10,429	
123,195	560	Ordinary	—	21,913
125,295				442,801
		Deduct (Add 1960):		
		Balance brought forward from previous account:		
	356,028	THE VILLIERS ENGINEERING COMPANY LIMITED	407,240	
761,034	405,006	SUBSIDIARIES	477,613	884,853
886,329				442,052
		Add (Deduct 1960):		
134		Share of Accumulated Deficit (Profit 1960) in a Subsidiary Company applicable to Minority Shareholders		567
		BALANCE CARRIED FORWARD:		
	407,240	THE VILLIERS ENGINEERING COMPANY LIMITED	148,125	
	478,955	SUBSIDIARIES	294,494	
886,195				442,619

The notes on and forming part of the accounts are on [page 76]

THE VILLIERS ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

NOTES ON ACCOUNTS DATED 31st JULY, 1961

1. Share Premium Account

	£
Balance at 31st July, 1960	893,286
Less, further expense of Rights Issue made in March, 1960 ..	1,321
	891,965
Premium on Conversion of Debentures to Ordinary Shares	871
	£892,836

2. During the year 37,757 J. A. Prestwich Industries Limited Preference Shares were redeemed at a cost of £29,610. The nominal value of the Shares, £37,757, has been transferred to Capital Redemption Reserve and the cost of the Shares has been written off Capital Reserve.

3. Excess of equity in Subsidiaries over cost of Shares

	£
Balance at 31st July, 1960	45,767
Cost of Redeeming Preference Shares in Subsidiary Company	29,610
	16,157
Excess of equity in new Subsidiary over cost	439
	£16,596

4. Plant Replacement Reserve

	Group £	Parent Company £
Balance at 31st July, 1960..	251,670	220,000
Add, Surplus on Sale of Plant and Machinery (Excess of Selling Price over Written Down Value)	662	—
	£252,332	£220,000

5. £598,650 6% Convertible Debenture Stock 1972/77

The Stock is secured by a first legal mortgage on all the present freehold properties of the Parent Company and the fixed plant, fixed machinery and fixtures thereon and a floating charge upon the remainder of its undertaking, property and assets (present and future), including any uncalled capital.

The Stock is convertible at the option of the holders in amounts and multiples of £50 on 1st December, 1960, 1st December, 1961, 1st December, 1962, 1st December, 1963 and 1st December, 1964, into Ordinary Shares of 5/– each of the Company upon terms set out in the Trust Deed constituting and securing the Stock. The Stock is redeemable at the option of the Company, in whole or in part, on or after 1st August, 1972, and on or before 30th July, 1977. The Stock in so far as it has not been converted or redeemed as aforesaid is repayable on 31st July, 1977, at par.

£1,350 Stock was converted into Ordinary Shares in December, 1960.

6. "Frank Farrer Hall" Fund

	1961 £	1960 £
Amount received from Mr. Frank H. Farrer ..	21,000	21,000
Amount donated by Company	35,000	35,000
Interest and Dividends received to date (*less* Tax)	12,523	11,285
Profit on Realisation of Investments	—	355
	68,523	67,640
Deduct Loss on Realisation of Investments ..	4,264	—
	£64,259	£67,640
Held as follows:	£	£
Investment at Cost (Market Value, £37,909) ..	39,853	67,045
Land at Cost	25,660	—
Cash at Bank	—	595
	65,513	67,640
Deduct Bank Overdraft	1,254	—
	£64,259	£67,640

7. Bills receivable include £13,756 on blocked accounts in Turkey.

8. The Share Capital of John Roper & Son Limited was purchased with effect from 1st October, 1960, the first day of the Company's usual accounting year. In order to make this Company's year end coincide with all members of the Group only ten months' trading is included in the Consolidated Profit and Loss Account.

9. Australian Currency has been converted at a rate of exchange of £A.125½ to £100.

10. The 1960 comparative figures do not include John Roper & Son Ltd. for the year to 30th September, 1960, as they are considered to be insignificant.

11. Commitments for Capital Expenditure amounted to £183,562 all of which is the liability of the Parent Company (1960 Group £543,645, Parent £430,662).

CITY NOTES

THERE is still a noticeable inclination on the part of the public to ignore 'bear' factors in the stock-markets. Time and again the daily stock-market reports refer to the manner in which the market has 'shrugged off' news of discouraging trade figures, poor industrial results or some other supposedly bearish factor.

The early part of any new year invariably finds the stock-market in a mood of almost obstinate optimism. The search for new year investment probably seems to have gone on longer this year than usual, mainly because the market has moved against the supposed trend.

It should not be overlooked, at the same time, that in the early part of last year the equity market indulged in a price rise which subsequent events proved to have been most ill-based.

So far this year the rise in prices has been concerned more with special situation shares than with the rank and file of leading industrial equities. The equity markets have been given a veneer of strength the depth of which has yet to be tested.

RATES AND PRICES

Closing prices, Wednesday, January 17th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Nov. 10	£5 8s 5·49d%	Dec. 15	£5 6s 4·83d%
Nov. 17	£5 7s 9·71d%	Dec. 22	£5 7s 3·18d%
Nov. 24	£5 7s 9·40d%	Dec. 29	£5 8s 0·72d%
Dec. 1	£5 7s 1·08d%	Jan. 5	£5 8s 7·81d%
Dec. 8	£5 6s 5·34d%	Jan. 12	£5 8s 6·03d%

Money Rates

Day to day	4⅜–5½%	*Bank Bills*	
7 days	4½–5⅜%	2 months	$5\frac{11}{16}$–5¾%
Fine Trade Bills		3 months	$5\frac{11}{16}$–5¾%
3 months	6¾–7½%	4 months	$5\frac{11}{16}$–5¾%
4 months	6¾–7½%	6 months	$5\frac{11}{16}$–$5\frac{13}{16}$%
6 months	7–8%		

Foreign Exchanges

New York	2·81–$\frac{1}{16}$	Frankfurt	11·21¾–·22¾
Montreal	2·93¼–½	Milan	1743¾–4
Amsterdam	10·13–½	Oslo	20·03¾–04¼
Brussels	139·88¼–¾	Paris	13·76⅞–·77⅛
Copenhagen	19·34¾–·35	Zürich	12·12¾–·13¼

Gilt-edged

Consols 4%	$59\frac{5}{16}$	Funding 3% 59–69	83
Consols 2½%	$38\frac{9}{16}$	Savings 3% 60–70	80¼
Conversion 5¼% 1974	92¼	Savings 3% 65–75	70⅝
Conversion 5% 1971	90⅞	Savings 2½% 64–67	85¼
Conversion 3½% 1969	86¼	Treasury 5½% 2008–12	85¾
Conversion 3½%	53⅛	Treasury 5% 86–89	$83\frac{1}{16}$
Exchequer 5½% 1966	$98\frac{5}{16}$	Treasury 3½% 77–80	$69\frac{13}{16}$
Funding 5½% 82–84	90¼	Treasury 3½% 79–81	68¾
Funding 4% 60–90	89¼	Treasury 2½%	38½
Funding 3½% 99–04	57⅝	Victory 4%	94
Funding 3% 66–68	$83\frac{11}{16}$	War Loan 3½%	$52\frac{15}{16}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Income Taxes in the Commonwealth

SIR, – I have recently received your issue dated November 25th, 1961, containing the comparative study of 'Income taxes in the Commonwealth'.

May I refer to page 691, under Chart 2 where your contributor in the last paragraph gives data in regard to Singapore. He writes that Singapore has recently introduced a registration tax on business and professions.

Actually what happened was that the Finance Minister, in his Budget speech on the estimates for the fiscal year 1961, did mention these proposed taxes, but they were *not* brought into force, and in his Budget speech for the fiscal year 1962, he openly said he was not going to enact that such taxes should be charged on professional people.

Yours truly,

Singapore. W. M. EDWARDS.

Decimal Currency

SIR, – The Government has instituted an inquiry into the possibility of converting to decimal currency.

Many systems have been mooted all of which we have studied very carefully. In our opinion they are all compromises and have many bad faults.

A new idea came to us at this office which is so simple and so obvious that we feel it might be the true answer. Our suggestion is outlined below.

Yours faithfully,

A. SAXON,
Director,

London W1. SAXON FINANCE AGENCY.

Much controversy exists today between the supporters in favour of the '£-mille' and the '10*s*-cent' systems of decimal currency.

Neither system tackles the problem on a proper basis and there are too many objections and difficulties to either. For instance, the £-mille system requires three places of decimals, which is bad for calculating machines etc., the 10*s*-cent system gives a 'cent' which is too high in value.

It must be realized that if the 'cent' is too high in value all cheap items of today will become expensive.

Ideally, a new system of currency should use as many of the *present coins as possible*, not only because of minting but also because the population is used to them. New coins should correspond in *value* to the coinage they replace and be usable in all slot-machines without having these altered too much, if at all.

The lowest usable coin today is the ½*d* and a 'cent' should correspond to this in value as near as possible.

Take the present silver 5*s* piece as a basic unit of new money (at present worth 120 halfpennies) and call it the 'crown', which is its correct name anyway. This 'crown' would divide into one hundred cents each of 1⅕ halfpennies in value. Now note the developments of this coinage.

Name of new currency coin	Which present coin to use	Value in new pence (or cents)	Number to the 'Crown'
Crown	5*s* piece (or issue a new Bank note) ..	100	1
Half-crown ..	2*s* 6*d* piece ..	50	2
Two-shillings .. (or Florin)	2*s* piece ..	40	2½
Shilling ..	1*s* piece ..	20	5
Ten-pence .. (or Dime)	6*d* piece ..	10	10
Five-pence .. (or Nickel)	3*d* bit	5	20
Penny .. .. (or Cent)	½*d* (though present penny coin is ideal for slot-machines) ..	1	100

Of the seven coins above four will be exactly the same as in use at present, and the remaining three (penny, fivepence, tenpence) will only require the *name* to be altered in future mintings.

Except for the old halfpenny all coins will be correct in old and new value right up to the crown, i.e.

1 new penny or cent $= \frac{120}{100}$ halfpennies or 1⅕ halfpennies.

1 five-pence or nickel $= 1\frac{1}{5} \times 5 = 6$ halfpennies or 3*d* bit it replaces.

1 ten-pence or dime $= 1\frac{1}{5} \times 10 = 12$ halfpennies or 6*d* piece it replaces.

etc. etc. etc. etc.

The present £1 note could still be retained as worth four crowns if thought advisable, but the present 10*s* note should be withdrawn. As four crowns equals the present £ sterling exactly all old accounts, prices, etc. could easily be converted to the new currency.

Stock Records: Builders' Supplies

SIR, – The following is a brief description of a method which I have seen operated in practice and which may meet the immediate need of 'Stock-Piler' (November 25th issue):

(1) Determine for each stock item: (*a*) re-order level quantity; (*b*) minimum stock level quantity.

(2) Draft form layouts, addressed to buying department, giving Part number and other required information.

(3) Make up packages, for each stock item, containing the quantities decided on in (1) above. The packages are sealed using adhesive tape of

different colours to indicate re-order level or minimum stock.

(4) These packages are placed in the bin behind the other stock items which will be used first. When re-order level is reached future issues will be made from the re-order package. The appropriate form being extracted and sent to buying department when the package is opened.

(5) If the stock is not replenished before the re-order package is empty the remaining package is opened and the form sent to buying department as a notification that the minimum level has been reached.

(6) As stocks are replenished the reserve packages will be re-made and remain intact until the other items are used.

If it is arranged that all forms are made out by office staff no clerical work need be required of the warehousing staff. The only additional work for them, under this system, being the preparation and maintenance of the reserve packages.

Yours faithfully,

Maidenhead, Berks. J. GIBSON, A.C.W.A.

Post-discontinuance Receipts

SIR, – Whether it is due to the 'pay pause', the Post Office go-slow or the festive season I don't know, but I am disappointed that there have as yet been no replies to my letter published in your issue of December 16th, 1961.

Are there no tax experts willing to express an opinion?

Yours faithfully,

Glasgow S4 R. FORGHAM.

Current Law

Rating of Art Gallery

LAND was given to the Kingston upon Hull Corporation upon trust to erect thereon out of funds provided by the donor an art gallery 'Upon trust to permit the same to be used and enjoyed by the citizens of the said city and county of Kingston upon Hull and the public generally as an art gallery for the exhibition of works of art in perpetuity'. There were no bye-laws or written regulations in respect of the galleries which were duly built, but the attendants employed there were orally instructed to take care of the works of art and to ensure due decorum on the part of the public.

In *Kingston upon Hull Corporation v. Clayton* ([1961] 3 All E.R. 118) the House of Lords held that the hereditament should not be entered in the rating valuation list as 'exempt'. The corporation was not bound to allow the public free and unrestricted access to the galleries. They could make a charge for admission, they could and did shut the galleries for certain hours, and it was open to them (without being in breach of the trust deed) to let or lend them to other persons for the display of works of art provided that the public were admitted. The trust deed did not confer such rights of user on the public as to exhaust all possibility of value to the corporation, and whether a profit could be made from the use of the galleries was beside the point.

Two observations may be made about this case. First, it appears that the trust deed might have been drawn in such a way as to constitute the corporation a bare trustee only, in which case it might have been possible to support the contention that there was no beneficial occupation and that the hereditament was exempt from rates. Secondly, under the Rating and Valuation Act, 1961 (which had not been passed at the date of the decision), the hereditament is presumably capable of qualifying for reduction or remission of rates under section 11 (4) (*b*) as one occupied for the purposes of an institution not established or conducted for profit and being concerned with the fine arts.

English Settlement Converted into Canadian

IN *Re Seale's Marriage Settlement* ([1961] 3 All E.R. 136) section 1 of the Variation of Trusts Act, 1958, was invoked to convert a marriage settlement governed by English law into one governed by the law of the Province of Quebec, whither the husband and wife had emigrated and where they had become domiciled. The object of the conversion was to save income tax and estate duty, as well as to replace the English trustee by a Canadian, whose greater accessibility would be convenient to the beneficiaries.

The scheme was to appoint a Canadian trust corporation as trustee of the English settlement in place of the existing trustee and to authorize the trust property's transfer to the trustee of a Canadian settlement (which would in fact have the same trustee). The new settlement, while conforming to the law of Quebec, was intended to bear in its terms the closest possible similarity to the English settlement. The trust property on being transferred would be freed and discharged from the trusts of the English settlement.

Buckley, J., decided that he had jurisdiction to approve such a scheme, which was sensible and advantageous for all concerned; the *ratio* of his lordship's decision was that the Court could approve an arrangement which revoked all the trusts of a settlement, so that it must have jurisdiction to approve an arrangement which in effect revoked the trusts of the English settlement in the event of the trust property becoming subject to the trusts of a settlement which would be recognized and enforced in another jurisdiction.

Contract

ice ([1961] 3 All
ny, which was a
enders' Act, 1900,
tes signed by the
l on subsection (2)
rs' Act, 1927. That

payment by a borrower
a moneylender . . or for
rest on money so lent . . .
s a note or memorandum
act be made and signed
rrower, and unless a copy
or sent to the borrower within
aking of the contract. . . .
or memorandum aforesaid shall
rms of the contract. . . .'

contract, and in particular the terms
use, were clearly set out in the three
tes, but in the corresponding memo-
ovisions as to default were in each case
in terms which were unintelligible.
(as he then was), held that the defendant
ed to succeed, as the memorandum referred
ction 6 (2) must itself contain all the terms of
ntract, and it was not permissible to look at the
nissory note to ascertain its terms unless a copy
f it had been left with the borrower, which was not
the case. The purpose of the section would be defeated
unless the document in the borrower's possession
contained all the terms of the contract.

Effect of Option for Renewal of Lease

BY an agreement, not under seal, dated July 26th, 1938, the plaintiff company in *Weg Motors Ltd v. Hales and Others* ([1961] 3 All E.R. 181) was given an option of 'taking a further lease' of premises 'at any time before December 25th, 1959' (that is, more than twenty-one years from the date of the agreement). The option was expressed to be given in consideration of the company 'taking a lease of even date with but executed after these presents'. The Court of Appeal held that the company was entitled to specific performance of the option agreement. In the first place, the agreement was not, when entered into, a contract to create a term of years and therefore rendered void by section 149 (3) of the Law of Property Act, 1925, which provides that:

> 'A term, at a rent or granted in consideration of a fine, limited after the commencement of this Act to take effect more than twenty-one years from the date of the instrument purporting to create it, shall be void, and any contract made after such commencement to create such a term shall likewise be void. . . .'

It was not until the option was exercised (in 1959) that the agreement could be said to create a term of years. Secondly, the execution of the agreement and of the lease formed a single transaction; in view of the fact that the taking of the lease was the expressed consideration for the grant of the option, the agreement was no more than an offer having no binding effect until the lease was executed; it followed that the right and obligation of the option agreement were properly incidents of the lease, were for its renewal, and were, as such, not affected by the rule against perpetuities.

Their lordships also held that the obligation of the option agreement ran with the reversion under section 142 (1) of the Law of Property Act, and the fact that, at the time when the option agreement was entered into, the freehold stood charged by way of legal mortgage did not prevent the lessor from satisfying the requirement of section 142 (1) that he should have 'power to bind the reversionary estate immediately expectant on the term granted by the lease'; this was a point which could be relied on only by the mortgagee.

'Male Descendants' does not Exclude Females

THE provisions of the settlement considered by Pennycuick, J., in *Re Du Cros' Settlement, Du Cros Family Trustee Co Ltd v. Du Cros and Others* ([1961] 3 All E.R. 193) directed (*inter alia*) that part of the income of the trust fund be held upon trust for 'such of the brothers of the settlor of the first part as shall for the time being be living and the male issue for the time being living of such of the said brothers of the settlor of the first part as shall be dead' and part for 'such of the male descendants of [H.] as shall for the time being be responsible for the active management of the business of' a named family company.

'Issue male', as his lordship pointed out, has a recognized meaning as a term of art and means descendents through the exclusively male line; he held that 'male issue' in the settlement had the same meaning, there being nothing in the context of the settlement to suggest that any other meaning was intended.

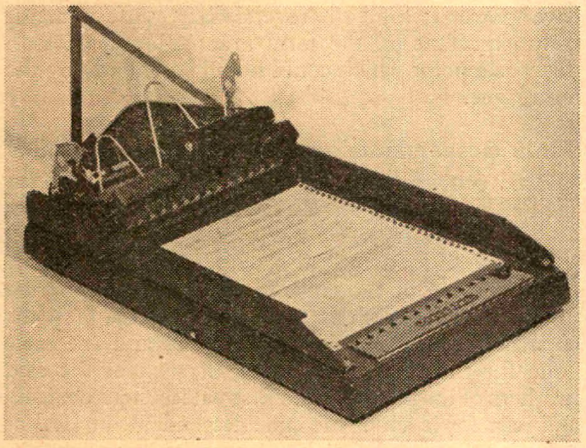
In *Allen v. Crane* ([1953] 89 C.L.R. 152) Dixon, C.J., in the High Court of Australia, held that 'male descendants', while prima facie bearing the same meaning as 'male issue', might readily yield to a context, and Pennycuick, J., applying that case, held that in the case before him, 'male descendants' included males descended from the individual *propositus* whether through males or females. The fact that in the same paragraph of the settlement the expressions 'male issue' and 'male descendants' had both been used made it preferable, in accordance with ordinary principles of construction, to give the latter expression a meaning different from that of the former if the latter was capable of more than one meaning.

His lordship also remarked on the fact that there seemed no reason why, in a gift to the persons responsible for the management of a family company, preference should be given to male descendants of the founder descended through males, over male descendants descended through females.

A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

Low-cost 'Systems' Duplicator

AN interesting new design feature of *Model A*, latest spirit duplicator in the *Rena* series, makes this small flat-bed machine suitable for business systems work on a modest scale. The makers are to be congratulated on the ingenious yet simple design which allows almost infinite rearrangement of details on copies in a low-cost machine which can also, of course, be used for ordinary duplicating.



Rena Model A Spirit Duplicator

The machine which makes copies up to foolscap size, is equipped with thirty-five retractable studs on each side of its flat bed. Holes to correspond with these are pre-punched in the master paper. Thus, duplicating can be carried out in three ways: with the master in one piece (in which case it is clamped to the machine with the studs retracted); with the master cut into strips, which are rearranged *ad infinitum*; or with parts of two or more masters combined to compile a fresh document.

Up to 300 copies can be made from each master, the distributors say; and part-used masters, being pre-punched, can be filed in a ring binder pending future use. This system can provide an indexed store of data which can be combined in any way and can thus obviously eliminate much re-typing of standard details in applications ranging from price lists and schedules of all kinds to menus.

Spirit used in the duplicating process is stored in and ejected from a transparent polythene bottle fitted to the machine's damper assembly. This arrangement promotes regular, even moistening and therefore production of standard quality copies throughout the run. Like other spirit machines, *Rena Model A* can reproduce two or more colours in the same run.

Free servicing is provided throughout the machine's life, provided the distributors' supplies and accessories are used. It is sold complete with dust cover and full operating instructions.

Price: £75.

E. G. Solomon, 44 Worship Street, London EC2.

Friden E

FRIDEN automatic
used throughout the
installations or in conju
puters and other automati
products include such well-
writer, *Collectadata* and *Selecti*

British users will be interes
London-based company, Friden
formed as a subsidiary of Friden
Fribourg, Switzerland, the interna
company for Friden Inc, of Califor
Holland N.V.

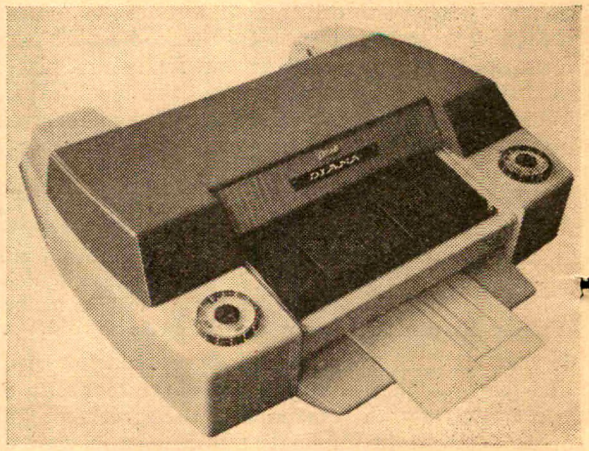
It will distribute the existing range of
viously handled by Bulmer's (Calculators)
due course will introduce new products a
Friden's expansion programme. Sales a
facilities will be provided by branches in va
vincial centres.

The head office is at 93–101 Blackfriars
London SE1.

Small Dyeline Photocopier

DYELINE photocopying is one of the cheapest, cleanest and most efficient methods for reproduction of office documents. Originals written or typed on one side of translucent paper can be reproduced direct at a cost of about a penny per foolscap-size copy; documents on opaque paper, after first being photo copied on to transparent film, can be reproduced in the same way. For many applications where, say, from two to twenty copies are required, dyeline copying is more economical than any kind of duplicating or even the use of standard carbon paper.

Diana, a new combined dyeline exposure and



Anson Diana Dyeline Copying Machine

Equipment

development unit for office use, is unusually compact. The machine's base measures 27 by 24 inches and it stands only 10 inches high, yet can accept originals up to 13 inches wide and of any length.

The makers claim that *Diana* can make up to 500 copies per hour – an unusually high speed for such a small unit. It should, perhaps, be pointed out that an actual *output* of this order is hardly likely to be achieved, since feeding and separation are manual. Nevertheless, this high speed is certainly beneficial in that it allows continuous feeding and cuts waiting time to a minimum when single copies are made. Finished copies, which emerge dry, are stacked in sequence at the rear of the machine.

No special ventilation is needed for *Diana* and, like other photocopiers of this type it can be used in standard lighting.

An unusual and useful feature is an additional lamp which can be switched on at any time for exposure of non-dyeline photocopying materials (including transparent films).

With the addition, therefore, of a developer unit for these materials *Diana* would form a complete and compact photocopying installation for almost any office purpose.

Price: 13 inch feed £295; 18 inch feed £315.

George Anson & Co Ltd, Solway House, Southwark Street, London SE1.

Plastic Offset-litho Masters

A NEW offset-litho plate which is cheaper than metal and more dependable than paper masters has been introduced by Remington Rand. Made of plastic, it is known as the *Direct Image Plastiplate* and can be used on all popular makes of offset-litho duplicator. The makers say that up to 20,000 copies can be produced from one plate.

The hard-working surface makes it easier to erase and correct. Also, the plates can be handled and stored more easily because finger-marks and scratches are not reproduced on the copies.

Plastiplates are self-cleaning on the machine and do not stretch – an important factor in close-register work. They are made in four grades (the choice depending on the length of run required) and packed in boxes of one hundred. The range of accessories includes carbon paper or fabric-ribbons, a lithographic ball-point pen, a special fluid which restores the surface of the plate after correction, and various etching and preserving solutions.

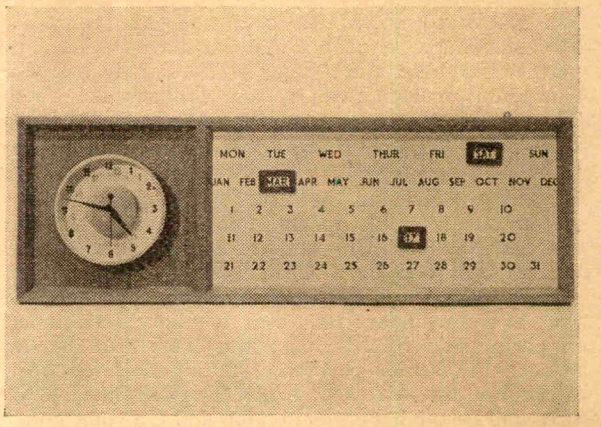
Price: From 56*s* 7*d* per hundred to 78*s* 9*d* per hundred, according to length of run and quality required.

Remington Rand Ltd, Remington House, 61–65 Holborn Viaduct, London EC1.

Clock-cum-calendar

DESIGNED for wall hanging and available in oak or mahogany, a single neat frame contains a *Westclox* clock and a large, clear calendar face marked with magnetic frames for month, day and date.

Overall size is 52 in. by 18¼ in. An alternative version, without the clock, measures 36 in. by 18¼ in. New to Britain and manufactured here, the calendar-clock is made to a design which has become popular in the United States.



Clock-cum-calendar

Prices: Combined unit, £23 11*s*. Calendar only, £14 11*s*.

D. Matthews & Son Ltd, 61–63 Dale Street, Liverpool 2.

Do-it-yourself Lettering

PROFESSIONAL-LOOKING lettering can be done by beginners with an ingenious new instant system, *Letraset*. This works on a transfer principle, though no moisture or separate adhesives are used, and is suitable for 'typesetting' on paper or other surfaces. A considerable variety of type faces, in sizes from eight to seventy-two point, and a wide choice of colours is available.

Letraset characters are mounted on the underside of translucent plastic sheets and come in sets like a type font (i.e. there are more of the frequently-used letters like *e* than of *z*'s, for instance). Having drawn a guidline on the paper, the user selects the first letter, positions it correctly, then rubs the *Letraset* surface gently with a smooth rounded object such as the blunt end of a penholder. This action transfers the letter to the paper. The procedure is repeated for each subsequent character.

The personal experience of the writer (a complete beginner) has yielded results which completely support the manufacturer's claims. The method is learned easily and a reasonable speed is soon achieved. The work has a gratifyingly professional appearance.

Applications include preparation of layouts for catalogues, house magazines, etc., for subsequent reproduction by offset litho, making up name-plates, notice-boards, and so forth.

Prices: 7*s* 6*d* per sheet for small and medium-sized types. 10*s* per sheet for large display types.

Letraset Ltd, Artist House, Plough Place, Holborn, London EC4.

Notes and Notices

PROFESSIONAL NOTICES

MR REGINALD F. MAIN, C.A., and Mr JOHN C. BANFIELD, A.C.A., announce that they have entered into partnership under the style of MAIN, BANFIELD & Co, Chartered Accountants, as from January 1st, 1962. The practice will continue to be carried on from Lloyds Bank Chambers, The Borough, Yeovil, and also at Gillingham, Dorset.

MESSRS MORRISH, WALTERS & Co, Chartered Accountants, of Provincial House, 98–106 Cannon Street, London EC4, announce that their senior partner, Mr JOHN BERNARD PITTMAN, F.C.A., retired on December 31st, 1961, after forty years as a partner, and that, as from January 1st, 1962, they have been joined in partnership by Mr HEDFORD CROSFIELD HARRIS, M.A., F.C.A., senior partner of their associated firm, A. H. KNIGHT, MORRISH & Co. The combined practices will be carried on in London and Croydon under the name of MORRISH, WALTERS & Co.

MR C. P. PERRIAM, A.C.A., announces that following the dissolution of his partnership with Mr P. J. N. BIGGS, F.C.A., he is now practising as C. P. PERRIAM & Co, Chartered Accountants, at 6 Castle Street, Barnstaple.

MESSRS RUSSELL & Co, Chartered Accountants, and MESSRS ARTHUR YOUNG & Co (Middle East firm) announce the retirement of Mr H. P. DEVEREUX, F.C.A. They also announce that they have assumed Mr PETER CALVERT, F.C.A., who has been made a partner in their Sudan practices, as a general partner from January 1st, 1962. They further announce that their address in Athens is now 7 Stadium Street where the practices will be under the management of Mr ST V. E. B. POLLARD, C.A.

MESSRS TANSLEY WITT & Co, Chartered Accountants, of 22/24 Ely Place, London EC1 announce that as from January 1st, 1962, they have taken into partnership Mr H. E. M. BARNES, A.C.A.

Appointments

Mr D. B. Dalby, F.C.A., has been appointed administration manager of Keith Shipton & Co Ltd, insurance brokers.

Mr P. W. Mitchell, F.C.A., has been appointed a director of Mansill Booth & Co Ltd.

Mr C. W. Tyrrell, F.C.A., a director of Booker Brothers, McConnell & Co Ltd and chairman of Bookers Engineering Holdings, has become chairman of Sigmund Pulsometer Pumps Ltd.

OBITUARY

H. W. A. Waring, C.M.G., F.C.A.

The British steel industry has suffered a grievous loss through the untimely death last week in an air accident of Mr H. W. A. Waring, C.M.G., F.C.A., deputy chairman of the G.K.N. Steel Co Ltd. He was 55.

Educated at Christ's Hospital, Mr Waring was articled to the late Sir Arthur Roberts, K.B.E., being admitted an associate of The Institute of Chartered Accountants in England and Wales in 1929 and elected to fellowship in 1960. From 1929–39 he practised with Whinney, Murray, Baguley & Co, in Berlin, and in Hamburg from 1929–34 and in Oslo from 1934–39.

From 1939–40 he was attached to the British Consulate in Oslo, and served as assistant to the commercial counsellor in Stockholm from 1940–42 and as Ministry of Supply representative in Stockholm from 1942–45. He was chief British representative in the Anglo-American negotiations with Sweden in 1944 to stop the ball-bearing traffic to Germany. He was made a C.M.G. in 1945 in recognition of his wartime service. From 1945 to 1947 he served on the Control Commission for Germany where he was successively in charge of iron and steel, basic industries and deputy chief of the industry division.

Mr Waring joined Guest Keen Baldwins Iron and Steel Co Ltd, Cardiff, in 1947, but resigned in 1951 on joining the United Nations Commission for Europe, becoming head of its industry division.

He left the United Nations in 1956 to return to industry and from 1956–60 was managing director of Brymbo Steel Works and a director of other Guest Keen and Nettlefolds' subsidiary companies. In 1959 he was elected first British chairman of the Steel Committee of the Economic Commission for Europe and was re-elected to that office in 1960–61. He joined the board of Guest Keen and Nettlefolds in 1960 and became deputy chairman and general managing director of G.K.N. Steel Co Ltd at the beginning of last year.

A member of the Iron and Steel Institute since 1948, Mr Waring was elected to the Council in 1960, and in July of last year he was elected hon. treasurer in succession to Sir Julian Pode, F.C.A.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Small Practitioner Inquiry

During recent weeks the district societies of The Institute of Chartered Accountants in England and Wales have been actively engaged, following the lead given to them by the President, in obtaining information on the problems – and their possible remedies – which confront the smaller public practice, and in particular the sole practitioner (see *The Accountant*, October 21st, 1961). Questionnaires have been distributed to a large number of practising members throughout the country, and in addition meetings have been arranged by district societies and by their branches and groups.

The task of correlating the replies is one of some magnitude and we have been asked by the Secretary of the Institute to remind members who have received copies of the questionnaire and who have yet to reply, that the forms should be returned to the Secretary of their respective district society by January 31st. We have no doubt that members will assist by responding to this appeal.

DOUBLE TAXATION: REPUBLIC OF SOUTH AFRICA

Representatives of the United Kingdom Board of Inland Revenue arrived in Cape Town on January 4th to discuss with officials of the South African Department of Inland Revenue the question of revising the double income tax agreement between the Republic and the United Kingdom.

NEW FAMILY ALLOWANCES AND NATIONAL INSURANCE ACT

Commencement Order

The Minister of Pensions and National Insurance has made a Commencement Order[1] containing the starting dates of a number of provisions in the Family Allowances and National Insurance Act, 1961. A number of changes in the Act came into operation immediately the Bill received Royal Assent, some of which were given in our issue of January 6th, page 26. Changes affected by the Order include:

Workmen's Compensation

The supplements paid under the Workmen's Compensation and Benefit (Supplementation) Act, 1956 to certain *totally disabled* people who, because their accidents occurred or their diseases were contracted before 1948, cannot qualify for benefit under the Industrial Injuries Act, was increased by 15*s* a week from January 17th.

[1] The Family Allowances and National Insurance Act, 1961 (Commencement No. 2) Order, 1962, S.I. 1962 No. 7 (C.1) obtainable from H.M.S.O., price 3*d* net.

Partially Disabled

Persons on maximum compensation will receive increases of existing allowances under the Workmen's Compensation (Supplementation) Act of 1951, or in some cases a new allowance, of up to 10*s* a week, subject to the appropriate workmen's compensation loss of earnings rules. There will also be an increase of 7*s* 6*d* a week in allowances payable under the Industrial Diseases (Benefit) Acts 1951 and 1954 for partially disabled men suffering from pneumoconiosis and byssinosis due to pre-1948 employment who did not qualify for workmen's compensation. These allowances are to be payable as from February 28th.

Liability to Pay Contributions

From January 15th self-employed and non-employed people with incomes of less than £208 a year may apply to be exempted from liability for national insurance contributions. The limit is at present £156.

Contributions for Low Wage Earners

The weekly rate of earnings, below which the employer has to bear a larger proportion of the contribution than otherwise, was raised from 60*s* to 80*s* from January 15th.

Apprentices

From April 3rd an apprentice will only be treated as a child for the purposes of family allowances and national insurance benefits if his earnings from the apprenticeship, after deduction of expenses, do not exceed 40*s* a week. There are, however, certain transitional provisions applying to those who, on April 3rd, are receiving national insurance benefits for an apprentice treated as a child under the old rules.

Overpayments

At present anyone who, because of a revised decision is not entitled to some benefit which he has already received, is required to repay it unless he satisfies the independent authorities that he received the benefit in good faith. In cases decided after February 25th, repayment will not be required where the person concerned can show that he has used 'due care and diligence' to avoid overpayment.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and ten members were present.

Applications for Assistance

Five new applications for assistance were considered; in three cases a grant was made; in one case a donation was given and in one case it was decided to make no grant.

One of the new cases followed the death a few years ago of a member in practice at the age of 48 leaving a widow and two children then aged 5 and 2; he had been a polio victim since his youth. Until now the widow had managed on her small income but she had found it increasingly difficult as the children grew older. A grant was made.

MOTOR — FIRE — CONSEQUENTIAL LOSS
MOTOR UNION INSURANCE COMPANY LTD
10 ST JAMES'S STREET, LONDON, SW1

Applications for Further Assistance

Twenty-three cases for further assistance were considered. In fifteen cases the grant was renewed; in four cases the grant was increased; in four cases the grant was reduced.

Matters Reported

The deaths of two beneficiaries were reported. In four cases grants were adjusted or donations made in view of changed circumstances; in four cases the Hon. Secretary was pleased to report that circumstances had so improved that assistance was no longer necessary. It was further reported that a beneficiary had recently taken up residence at Ridgemead House, one of the homes of Crossways Trust, and settled down there very happily.

Christmas Gifts

It was decided to send small Christmas donations to beneficiaries who are resident in Homes and food hampers to others.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

A luncheon meeting of the Northern Society of Chartered Accountants is to be held at the County Hotel, Newcastle upon Tyne, at 12.30 for 1 p.m. on Friday, January 26th, after which there will be a discussion on the problems of the small practitioner in the district.

MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

At a recent meeting of the Manchester Chartered Accountants' Students' Society, the following officers were elected:

Hon. Secretary: Mr F. A. Watson, B.A.(COM.), 46 Fountain Street, Manchester 2.
Hon. Treasurer: Mr E. K. Richardson, B.SC.(ECON.).

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LEEDS

A wide variety of meetings has been arranged for the spring session of The Chartered Accountant Students' Society of Leeds. The programme is as follows:

January 23rd, 4.30 p.m., 'Auditing problems';
6 p.m., 'Recent examination questions in auditing', by Mr V. S. Hockley, B.COM., C.A., A.A.C.C.A.
February 16th, 9.30 a.m., Whole-day course; 'The audit and accounts of a small limited company', by Mr D. Rich, A.C.A.
February 21st, 4.30 p.m., 'Computers', by Mr A. W. Howitt, M.A., F.C.A., F.C.W.A.
6 p.m., 'Current financial topics', by Mr A. J. Ward, B.SC.(ECON.).
February 26th, Visit to Vickers-Armstrongs (Shipbuilding) Ltd.
February 28th, 6 p.m., Talk and film: 'The work of the Bank of England', by Mr R. C. Balfour.
March 7th, 4.30 p.m., 'Estate duty';
6 p.m., 'Problems in executorship accounts', by Mr L. J. Northcott, F.C.A., H. Foulks Lynch & Co Ltd.
March 14th, 4.30 p.m., 'Schedule D computations',
6 p.m., 'Standard costing', by Mr V. R. Anderson, A.C.A.
March 21st, 6 p.m., Two films: 'C.P.A.', and 'The C.A. in Canada'.
March 28th, 5 p.m., Annual general meeting.
6 p.m., 'Freedom under the law of contract', by Mr T. Jackson, LL.B., A.C.C.S.
April 5th, 5.30 p.m., 'General principles of auditing: the Council's recommendations', by Mr Victor Walton, F.C.A., Member of the Council of the Institute.
6.30 p.m., Pot-pie Supper (first-year students).

All lectures will be held at the Leeds and County Conservative Club, South Parade, Leeds 1. Further information regarding the activities of the Society may be obtained from the hon. secretary, Mr W. H. J. Mordy, c/o Peat, Marwick, Mitchell & Co, 2 Park Place, Leeds 1.

REVENUE PAPER.

Hilary Sittings, 1962

The following cases are down for hearing during the Hilary Term:

HOUSE OF LORDS

Cenlon Finance Co Ltd *v.* Ellwood.
Rolls-Royce *v.* Jeffery.
Griffiths *v.* J. P. Harrison (Watford) Ltd.

COURT OF APPEAL

Gooden *v.* A. Wilson's Stores (Holdings) Ltd.
British Commonwealth International Newsfilm Agency Ltd *v.* Mahany
Jamieson *v.* C.I.R.
Wills *v.* C.I.R.
Hibbert *v.* Fysh.
De Voil *v.* Welford Gravels Ltd.
Rae *v.* Lazard Investment Co Ltd.
C.I.R. *v.* The Stafford Coal and Iron Co Ltd.
Brogan *v.* The Stafford Coal and Iron Co Ltd.
Spencer *v.* C.I.R.
Garside *v.* C.I.R.
C. H. W. (Huddersfield) Ltd *v.* C.I.R.

HIGH COURT (Chancery Division)

Walter W. Saunders Ltd *v.* Dixon.
C.I.R. *v.* Hood Barrs.
Fitch Lovell Ltd *v.* C.I.R.
Monthly Salaries Loan Co Ltd *v.* Furlong.
Administrators of the estate of G. F. Seaward (deceased) *v.* Varty.
C.I.R. *v.* Verdon-Roe.
Wellington *v.* Reynolds.

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THE
ACCOUNTANT
ESTABLISHED 1874
JANUARY 27TH, 1962 VOL. CXLVI. NO. 4545

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

CONTENTS

	Page
Candidates for Truth	85
Investment or Trading Stock?	86
Estate Duty Aspect of Investment by *H. Ferguson, A.C.I.S.*	87
When is 'Fair' not Fair? – The Auditors' Report Criticized	88
Stock Valuation – a Practitioner's View by *Geoffrey H. Vieler, F.C.A.*	90
Weekly Notes	97
This is My Life . . . by *An Industrious Accountant*	99
Finance and Commerce Barclays Bank Ltd – Gloucester Railway Carriage & Wagon Co Ltd – City Notes – Rates and Prices	100
Correspondence Research Activities under the Microscope – Education and Training of Accountants – Calling Liberal Accountants	104
For Students Share Certificates – I	105
The Chartered Accountant Students' Society of Leeds: Annual Dinner	107
Taxation Case *In re* Roberts' Settlement Trusts	108
Notes and Notices	108
The Institute of Municipal Treasurers and Accountants Results of Examinations held in November 1961	111

Candidates for Truth

ACCOUNTANTS, in so far as they are constantly striving to associate themselves with the correct presentation of fact, might be called, in EMERSON's phrase, candidates for truth. Their aspirations, however, may be complicated by two considerations – that truth itself is of at least two kinds, the universal and the particular; and that the conflict between individual opinions tends to obscure its reality. In the main, accountants are concerned with particular truths which define practical situations and, strange as it may seem, these are often equally as difficult to establish as the abstract universal truths which are more the preoccupation of philosophers.

An obvious everyday example of this dilemma is the valuation of stock and work in progress where the appropriate basis to be adopted depends on the circumstances of each business. With so many variants (of both bases and businesses), the scope for expert argument is extensive. On one point, however, the authorities do agree and that is that the chosen basis and methods of computation should be applied consistently and that the effects of any deviation therefrom, if material, should be disclosed.

It must come as a surprise, therefore, to many accountants to learn that a distinguished company director has been tilting his lance even at this one slender tenet. At a recent luncheon meeting of the London and District Society of Chartered Accountants – reported on another page – MR HAROLD DRAYTON suggested, in effect, that if a managing director thought it advisable to write stock either up or down to suit the occasion, this remarkably elastic basis of valuation – under, at or above cost, whichever was the most convenient – could reasonably be accepted by the auditor. Whether the auditor would do so through complacent acquiescence or through ignorance is not made clear, but on both counts let us gently disabuse MR DRAYTON of this somewhat naïve notion – but one of a number contained in his remarks at the luncheon.

The auditor who knows his job invariably blends theory with common sense in applying the fundamental principles of accounting to any particular set of circumstances, but however liberal his interpretation may appear, it is certain that he accepts nothing which offends his conscience, that indispensable third quality which, in addition to skill and judgment, every professional man possesses. In short, the words 'true and fair', to whatever they are applied, have a significance far beyond any combination of dictionary meanings. Each time they are used they reflect a professional opinion which is highly valued and, in consequence, never lightly expressed.

Investment or Trading Stock?

EVER since the House of Lords held (in *Jones v. Leeming* (9 A.T.C. 134; 15 T.C. 333)) that surplus proceeds on a resale were not taxable unless the seller was trading, there has been a tendency to widen the meaning of 'trade'. This process has revealed that where the taxpayer is a company with trading objects, it begins a dispute of this kind with the dice heavily loaded against it. The decision of MR JUSTICE CROSS in *Lucy & Sunderland Ltd v. Hunt* ([1961] T.R. 305) has imposed a salutary check on this process, the effect of which may well survive the new impositions threatened by THE CHANCELLOR OF THE EXCHEQUER.

The appellant company, which we will call Lucy, was an old-established timber merchant whose memorandum of association was so drawn as to give it power to trade as a builder and property dealer. To anyone in the least familiar with documents of that kind, it would not be surprising if Lucy had power to do practically everything under the sun. Among its several investments, Lucy owned the controlling shareholding in a building company (Hawthorn) whose trade had been in suspense since 1940, and whose activities were confined to receiving rents on the houses transferred from trading stock to fixed assets. MR ANDERTON, the managing director and only other shareholder in Hawthorn, wanted to start up building in 1945, but Lucy did not want Hawthorn to be used for this. At first it agreed to buy MR ANDERTON's minority shareholding, so that he could set up on his own account with the proceeds. However, he did not have the necessary building licence; Hawthorn did. Therefore Lucy sold to MR ANDERTON its shareholding in Hawthorn, and Hawthorn sold its houses to Lucy, thus giving Hawthorn the funds to build.

After this transaction Lucy received the rents of the houses. In 1948 Lucy began to accept offers to purchase its houses and the proceeds exceeded the price it had paid to Hawthorn. There followed, perhaps almost inevitably, income tax assessments on these surpluses, on the ground that Lucy was carrying on the trade of a dealer in houses. The Inland Revenue made much play of the fact that Lucy included such a trade in its objects. Of course, where a company with purely investment objects resells at a profit, the official argument is usually that the objects clause of its memorandum of association is not really important. The General Commissioners confirmed the assessments.

The Inland Revenue had contended that Lucy did not buy the houses as an investment but for the purpose of disposing of them at a profit as opportunity arose, and presumably the General Commissioners accepted this contention.

Having won on Schedule D, the Inland Revenue also assessed these alleged profits to profits tax. Nothing daunted, Lucy appealed again, this time to the Special Commissioners. A decision by Commissioners is not binding for another tax, any more than it is binding for another year. This time Lucy was successful. In the meantime it had expressed dissatisfaction with the decision of the Manchester Commissioners and had demanded a stated case. The Inland Revenue demanded a stated case on profits tax but later abandoned the profits tax point.

Before CROSS, J., the Inland Revenue argued that the case was purely a question of fact; that although Lucy's motive in buying the houses was to help MR ANDERTON, nevertheless there was at least some evidence on which the Manchester Commissioners could find that Lucy was trading in the houses. The Revenue also stressed that in the hands of Hawthorn the houses were trading stock, and cited *Rellim Ltd v. Vise* (30 A.T.C. 105; 32 T.C. 254) where MR JUSTICE WYNN-PARRY upheld a similar finding, while indicating that on the facts he would have come to an opposite conclusion, and the Court of Appeal upheld his view.

Lucy pointed out that in *Rellim Ltd v. Vise* there was more evidence of trading than in its own case. The learned judge said that although he put out of his mind his own views as far as he could, he could find no evidence at all on which the Manchester Commissioners could infer that Lucy was trading in the houses. Accordingly, he allowed Lucy's appeal. If this judgment remains unassailed it will put new heart into taxpayers, particularly companies, who resell an investment.

Estate Duty Aspect of Investment

by H. FERGUSON, A.C.I.S.

THE purpose of this article is to stimulate thought in relation to investment policy *vis-à-vis* means of legally minimizing, or avoiding entirely if possible, punitive taxation and estate duty. In this regard, accountants are in the privileged position of knowing the financial worth – at least, so far as taxation returns reveal – of each of their clients and are in a position to help particularly their middle-aged and elderly clients.

About a hundred years ago John Stuart Mill said 'men desired to be rich, not for riches themselves, but to be richer than their friends'. Doubtless that was generally true at that time, when the standard rate of income tax was only pence in the £. Estate duty in its present form was introduced with a maximum rate of 8 per cent in 1894 as compared with a top rate of 80 per cent today. Supertax was introduced in 1909.

From an investment angle, therefore, apart from senseless vanity, the estate duty interest which the Government has in one's capital is a factor to be considered in every scheme of investment. Plain sense dictates that provision for one's dependants or intended beneficiaries be made in one's lifetime in order that they may benefit from 'saving' in estate duty and taxation. For example, assuming expiry of the entirely duty-free period of five years, a reduction in the value of one's worth from £50,000 to £30,000 would result in paying £10,100 less in duty. In other words, this means that the Government is, in effect, a partner with a 50½ per cent interest in that slice of £20,000.

A recent case involved an estate valued at over £500,000. There were three beneficiaries or residuary legatees, each of whom received only around £5,000 as a result of estate duty exaction and the fall in stock-market prices between date of death and date of realization. The lesson from this case is clear – an item, 'Estimated estate duty

1	2		3		4		5
Estates not exceeding	Rate of duty	Amount of duty payable	Amount or slice of estate responsible for increase in duty as in column 4		Amount of duty on each slice of estate and as percentage of related slice as in column 3		Value of estate (net of duty)
				As a fraction of estate as in column 1			
£	%	£	£		£	%	£
10,000	4	400					9,600
12,500	6	750	2,500	1/5th	350	14	11,750
15,000	8	1,200	2,500	1/6th	450	18	13,800
17,500	10	1,750	2,500	1/7th	550	22	15,750
20,000	12	2,400	2,500	1/8th	650	26	17,600
25,000	15	3,750	5,000	1/5th	1,350	27	21,250
30,000	18	5,400	5,000	1/6th	1,650	33	24,600
35,000	21	7,350	5,000	1/7th	1,950	39	27,650
40,000	24	9,600	5,000	1/8th	2,250	45	30,400
45,000	28	12,600	5,000	1/9th	3,000	60	32,400
50,000	31	15,500	5,000	1/10th	2,900	58	34,500
60,000	35	21,000	10,000	1/6th	5,500	55	39,000
75,000	40	30,000	15,000	1/5th	9,000	60	45,000
100,000	45	45,000	25,000	1/4th	15,000	60	55,000
150,000	50	75,000	50,000	1/3rd	30,000	60	75,000
200,000	55	110,000	50,000	1/4th	35,000	70	90,000
300,000	60	180,000	100,000	1/3rd	70,000	70	120,000
500,000	65	325,000	200,000	2/5ths	145,000	72½	175,000
750,000	70	525,000	250,000	1/3rd	200,000	80	225,000
1,000,000	75	750,000	250,000	1/4th	225,000	90	250,000
Over 1,000,000	80						

liability', should be incorporated in one's personal balance sheet. This ought to result in the desired reduction.

So as to facilitate action along the lines suggested the accompanying table has been prepared to assist in planning accordingly. Columns 1, 2 and 5 are self-explanatory. Column 3 shows, step by step, each increase or slice in the value of an estate (column 1) corresponding to each change in the rate of duty. The fractions shown in column 3 correspond to the amounts by which the total value of an estate would require to be reduced in order to limit payment at the next lower rate of duty and thus 'save' the sum shown alongside in column 4.

For example, an estate of £45,000 would bear 28 per cent duty amounting to £12,600 (column 2). The next lower rate of duty is 24 per cent on £40,000. Therefore on £40,000, duty would be £9,600, or £3,000 (column 4) less than the duty on £45,000. In other words, the Government takes 60 per cent of that slice (£45,000 less £40,000), as compared with the over-all 28 per cent rate of duty.

When is 'Fair' not Fair?

THE AUDITOR'S REPORT CRITICIZED

'TRUE and fair view' – the familiar phrase of the auditor's report – was strongly criticized at a recent luncheon meeting of the London and District Society of Chartered Accountants. The speaker was Mr Harold Drayton, financier, company chairman, Institute of Directors' Council member, founder and governor of the City of London Society. 'A balance sheet', said Mr Drayton, 'may show many things, but it cannot show a "fair view".' The word 'fair' was capable of many interpretations. It was an ambiguous word; and ambiguity did not, or should not, go with facts and figures.

Mr Drayton said that he had built up his business career not on cleverness – for he did not pretend to be clever – but on trying to be practical and, perhaps, pragmatic; if there was a problem, by doing one's best to solve it – not always confining one's self to the immediate problem, but trying sometimes to look at things from the 'other fellow's point of view'. He therefore proposed to comment on two matters relating to accountants – the auditor's report (or 'certificate', as he called it), and the relationship between the auditor and the director in regard to a company's balance sheet.

Prestige

Accountants, said Mr Drayton, did not perhaps realize how important a part they played in the prestige of the United Kingdom in the eyes of the world at large. He often said to his friends abroad, 'Why do you have an English firm of accountants to audit your company's accounts?' and their answer was always the same – 'We can trust them and they don't talk.' Anything, therefore, which detracted from their integrity as accountants, reflected not only upon themselves but upon the standing of this country. Accordingly, they had need fully to justify their 'certificate' and he did not feel the use of the term 'fair view' could be justified. A balance sheet showed a lot of things but, he said, it could not show a 'fair view'.

For instance, in regard to stock valuation, a managing director, if he were a conservative man, would try to state that figure as low as possible in order to safeguard himself for the following year and the auditor might as reasonably accept it. On the other hand, if he were to put it up – and there might be several reasons for so doing – it might offer a 'fairer' view of the position to shareholders than writing it down. He may know that he can sell, or has sold, or is in process of selling at an increased price and therefore, to justify the statement of a 'fair view', the valuation might well be entered at more than cost.

Again, said Mr Drayton, a large number of balance sheets showed only historical values, and in the case of land, auditors often sign their 'certificates' recording a 'fair view' when the

land could be worth a great deal more than its historical value.

Definitions

Mr Drayton said that when the definitions of the word 'fair' were considered, it became obvious that there was a great variety of meanings; first, there was the term applied to a place where people met to buy and sell and where there might be roundabouts and swings (and he amused his hearers by commenting that he thought a pretty good sermon might be preached about 'accountancy and roundabouts and swings'). Then there was the definition 'beautiful to the eye; of pleasing form or appearance; fair to see'. He thought they might not all agree with that in relation to some balance sheets; but then there was 'of external manifestations, words, promises, attractive or pleasing at first sight'. That was not bad but it was rather spoilt by what followed – 'specious, plausible, flattering'.

Another example gave: 'fair – of conduct, actions, arguments, methods; free from bias, fraud, injustice; equitable; not taking undue advantage'. That, he thought, began to describe what they perhaps wish to imply by 'fair' in their reports. Finally, there was the adverb definition: 'equitably, honestly, impartially, justly according to rule'. That might sound very well but they had to consider to whom does this accord – the auditors or the directors?

Ambiguity

'Fair,' he therefore regarded as an ambiguous word and ambiguity did not go well with facts and figures and in its use they laid themselves open to criticism. Fraud, for instance, applied to acts of both omission and commission, it might be equally as fraudulent to value stocks or property unduly conservatively, as to over-value them; and he thought that accountants did not take that to heart too readily.

Of course, it was easy to criticize; and it was difficult to suggest better alternatives – perhaps 'an equitable view' would be an improvement. There was, however, a lot to be said for 'certificates' having some degree of flexibility – that they should vary according to the circumstances of a company.

Prior to 1948, when the new company legislation was being considered, Mr Drayton recalled that Sir Russell Kettle spoke to him on the subject, and even then he strenuously objected to the use of the words a 'fair view of the company's affairs'. He honestly thought that 'fair' in this context was a dangerous word. It had an aspect which was of wider implication than to the profession alone; it was something in which the public was interested. Accountants were able to influence trading business, finance business, and also investment business, in this country and abroad. Why, then, if there was a risk in using the word 'fair' – as he believed there was – should they take that risk when so much was at stake?

On the topic of the relationship between the auditor and the directors of a company in regard to the balance sheet, Mr Drayton said that it should be remembered that the balance sheet was that of the directors who could put in it what they pleased. The 'certificate,' on the other hand, was that of the auditor who was, of course, at liberty to qualify or alter it at will, or even to withhold it. Auditors did not themselves, however, have power to determine what went into the balance sheet.

Presentation

Nor did he agree with what he described as 'the Institute's method of presenting the balance sheet'. He might be 'old-fashioned' but he preferred the balance sheet where on the left-hand side appeared the capital – ordinary and preferential – debentures, reserves, 'and then what you owe'. But some years ago, he said, 'you decided that you should first of all have your ordinary and preferential, then your reserves – capital reserves, carry forward, and revenue reserves – because that shows the shareholder what interest he had in the company'. But it showed the shareholder nothing of the sort. The shareholder knew what he had got in the company when he looked on the other side of the balance sheet and saw the assets, cash and investments, then he looked below and said, 'Do I owe anything?' In former days, immediately under the ordinary and preferential, he could see that he owed, say, a debenture of a million pounds, and said, 'I can deduct that; now I know where I am'. Now the shareholder has to look right down the balance sheet to discover the debenture 'hidden away' just above the other creditors. In Mr Drayton's view, the placing of capital and revenue reserves immediately under the capital was misleading to the ordinary shareholder.

He hoped the comments of an 'outsider' on the use of the word 'fair' in auditors' reports would be accepted as sincerely as they were intended; and that they would bear in mind and train their younger colleagues to appreciate that while their 'certificates' were their own affair, balance sheets were the prerogative of the directors.

Stock Valuation — a Practitioner's View

by GEOFFREY H. VIELER, F.C.A.

The valuation of stock-in-trade and work in progress is a topic of continuing interest and concern to accountants and business men. We publish below the first of several papers which approach this subject from different angles. The present contribution gives the view of a practising accountant, another to be published shortly will give the Inland Revenue's view, and in a third an American contributor will criticize, and comment upon, the Institute's Recommendation No. 22 on the subject.

THE post-war generation of tax practitioners may not appreciate that one of the most marked changes that has taken place during the past fifteen years in this particular field has been the ever-increasing attention which has been paid by the Inland Revenue to the question of the basis of valuation of stock and work in progress.

Many of you can, no doubt, cast your minds back to those nostalgic days before the last war when a stock valuation that was correct by established commercial standards was, generally speaking, equally acceptable to the Inland Revenue and the occasional inquiry on the subject almost invariably took the form of a request for the completion of a Form 81 and that was the last you heard of it. I cannot recollect ever having to deal with a case in those halcyon days involving an adjustment to the taxation computations in respect of the valuation of stock or work in progress.

Mr Geoffrey H. Vieler

You will look in vain for any guidance in the Taxing Acts on the subject of stock valuations except that section 143 of the Income Tax Act, 1952, makes provision on the discontinuance of a trade for the closing stock in certain limited circumstances to be valued at the amount for which it could have been sold in the open market. It is not always realized that section 143 also applies if a trade is treated as a continuing trade under section 17 of the Finance Act, 1954 (see paragraph 6 of the Third Schedule to that Act).

Your only sign posts were the dicta of the Courts and one of the first directions was Lord Halsbury in *Gresham Life Assurance Society v. Styles*, who as long go as 1892 held that 'Profits or gains must be ascertained on ordinary principles of commercial trading'.

Paper presented at the Eleventh National Taxation Conference at Bournemouth last October.

In the very much later case of *Whimster & Co v. C.I.R.* in 1925, the Lord President had ruled that:

> 'They [the company] said, accordingly, quite truly, that in the case of trading stocks, stock-in-trade, it was proper in making up your profit and loss account to value the trading stock-in-hand at the beginning, and to value it at the end of the year, both cases having regard to the fact that you must value at market value, or at cost, whichever is the lower.'

In the same case Lord Sands said:

> 'Under this law the profits are the profits realized in the course of the year. What seems an exception is recognized where a trader purchased and still holds goods or stocks which have fallen in value. No loss has been realized. Loss may not occur. Nevertheless, at the close of the year he is permitted to treat these goods or stocks as of their market value.'

Market value was not, however, defined.

At that time ordinary principles of commercial accounting were quite clearly the order of the day for tax purposes and in the 1928 case of *C.I.R. v. Matthew Marshall*, the Lord President ruled:

> 'It is not for this Court to fix principles of valuation, for a principle of valuation is not a part of the law universal at all, but of course it is necessary sometimes to ask this Court whether a particular principle of valuation if adopted would or would not accord with the prescription of the Income Tax Acts which requires the balance of profits and gains to be duly ascertained.'

There can be little doubt that the imposition during the war of excess profits tax and, in particular the penal rate of 100 per cent, led many taxpayers to consider how they could – in the words of our north

country friends – 'Tuck away a bit of brass', and the temptation to do so must have been very strong, particularly in the face of possibly difficult post-war trading conditions. Stock under-valuations were a particularly suitable media for this purpose.

Needless to say the Inland Revenue were not unaware of the position and, in many cases, they set the ball rolling by making detailed inquiries into the stock valuations in accounts which either ended at December 31st, 1946 (when excess profits tax terminated), or covered a period including that date.

It is, of course, quite clear that where short-term taxes such as excess profits tax and excess profits levy are involved, there can be material differences in the amount of taxation payable if, on the cessation of such an impost, the stock is under-valued. Somewhat similar situations exist in the case of the first accounts of a business, the profits of which often form the basis of the Schedule D assessments for more than one year and it must not be forgotten that on cessation, the profit of one year falls out of assessment. On the other hand, in the case of the normal preceding year basis of assessment, where only income tax and profits tax are involved, any over- or under-valuation of stock will be taken into account in computing the profits of a subsequent year and subject, of course, to changes in rates of tax and the interest factor, the result – in the long run – at any rate in theory, is precisely the same. I must concede that no business man who is pressed for working capital will agree with that view.

Effect of Under-valuation

There is little doubt, however, that once a policy of conservative stock valuation has been adopted, it is almost certain to be followed in succeeding years and until the particular business is discontinued; there is, therefore, a permanent loss of tax. Moreover, both under-valuations and the tax loss thereon have, of course, been greatly increased by the continuous inflation which has taken place since the end of the war.

It may not be realized how vast is the size of industry's stocks and work in progress. According to figures published in the *Board of Trade Journal* in March 1961, it was estimated that the book value of industry's stocks at December 31st, 1960, covering manufacturers, wholesalers and retailers was no less than £7,500 million. This includes both stock and work in progress.

Let us suppose – and here I am taking a completely hypothetical percentage – that there is an average under-valuation by Inland Revenue standards of 10 per cent; this would amount to £833 million. Income tax and profits tax on this sum would total about £450 million which is enough to gladden the heart of any Chancellor of the Exchequer!

In the face of figures of this magnitude it is, perhaps, not very surprising that the Inland Revenue thought it necessary to launch a drive on the subject of the valuation of stock and work in progress and indeed sought very hard to impose upon an unwilling body of taxpayers and their professional advisers, the Revenue's own ideas as to how these items should be valued for the purpose of arriving at tax assessments. There is no need for me to tell you how much work (a good deal of it quite fruitless) this has caused us all.

Since they started their campaign, Somerset House have been riding a number of hobby-horses on this subject and one of long standing was the first to reach the Courts – that of *C.I.R. v. Cock Russell & Co Ltd* in 1949. When it came to interpreting the long-established formula of the lower of cost or market value, the Revenue wanted to use the 'global' basis of valuing stock, i.e. taking the lower either of everything at cost or of everything at market value.

In this particular instance the professional evidence was unanimously in favour of the 'pick and choose' method adopted by the company, nor could it be disputed that this particular system had been accepted in the past by the Commissioners of Inland Revenue. Perhaps it was not therefore surprising that Mr Justice Croom-Johnson found in favour of the taxpayer and, furthermore, the case did not go beyond the High Court.

Varying Methods of Valuing Stock

I think that, at this stage, we ought to spend a little time in considering the terms 'cost' and 'market value' because not only have they different meanings to different people but the 'cost for tax purposes' was really the point in dispute in several cases to which I shall refer later in this paper. Dealing firstly with cost in businesses which buy goods ready for sale without carrying out any process work thereon, we have:

(*a*) *Unit Cost*, which entails appropriating to each article in stock its actual cost; in theory, this should give you a valuation at true cost but obviously this system could only be applied in its purest form where the stock consisted of a relatively small number of identifiable items, e.g. valuable jewellery or pictures.

(*b*) *FIFO* or 'first in, first out': for this one assumes that the stock is sold in the same order of priority as the order of the dates at which it was acquired. If running stock records are not kept in some detail there are necessarily a number of refinements and variants in order to arrive at what is to be regarded as cost because of the practical difficulties of matching quantities on hand with the most recent purchase invoices.

(*c*) *LIFO* or 'last in, first out': this system has received statutory recognition in the United States of America and is said to be in very limited use in this country. Its theoretical object is to charge current costs against current sales; thus sales are deemed to be made from the most recent purchases and the original purchases, valued at their original prices, are deemed to remain in the business.

(*d*) *Base stock*: this is really a variant of LIFO but, in this case, it is only the basic minimum holdings of stock which are valued at their original cost. It

is a method which is still in occasional use in this country, for example in the cotton-spinning and paint manufacturing industries.

(*e*) *Average cost:* here the opening stock is averaged with the cost of goods added during each succeeding period, after deducting consumption at the average price; the period being determined in accordance with the nature of the business.

(*f*) *Standard cost:* with this we come into the field of the specialists although it is a system, particularly with manufacturing concerns, which has made very rapid strides and more and more businesses are changing over to it. As you know, this is a highly technical branch of our profession and I will say no more than that, broadly speaking, the stock is valued at a predetermined or budgeted cost plus or minus the variances which have arisen during the year or at any rate the latter part thereof.

(*g*) *Adjusted selling price:* this method is widely used in retail businesses and involves deducting from the value of stock calculated at selling prices the normal margin of gross profit on such stocks. There is, however, one particular point of difficulty in this method and that is in connection with items which have been 'marked down'. The general commercial view is that, for stocktaking purposes, you deduct the normal margin of gross profit from the marked down selling price but in general the Inland Revenue do not approve of this procedure – they contend that if the marked down selling price is above cost then the article should be valued at cost in order to comply with the formula of the lower of cost or market value. In practice, however, at any rate so far as departmental stores and multiple shops are concerned, the Inland Revenue are prepared to accept the deduction of the normal margin of gross profit from marked down selling prices providing such prices are actually in operation in the shops.

By and large all these methods can be used equally well in manufacturing businesses which buy raw materials and turn them into manufactured articles. Here, however, you have the added complication of deciding what charges should be included in cost and, in particular, when you come to overheads there are almost infinite variants. I shall return to this problem later on.

Defining 'Market Value'

Turning to what is meant by 'market value', we come to a most contentious question and one where it seems the general opinion of the accountancy profession as to the correct definition of this term, is not regarded as wholly acceptable by Somerset House.

Market value can mean:

(*a*) the net realizable value on sale in the ordinary course of business;

(*b*) the net realizable value on sale in the ordinary course of business but after deducting selling expenses;

(*c*) the current replacement value.

Depending on the market, (*a*) and (*c*) could well be the same figure.

In Appendix II of their final report, the Royal Commission on the Taxation of Profits and Income gave as a definition of market value:

> 'Either the price at which the stock could be replaced by purchase or the realizable value of the stock on a going concern basis, namely, after deducting from current selling prices the estimated further expenditure to be incurred in bringing the stock into the state in which it would be sold and the costs of sale, including delivery.'

Then we have the recently issued Recommendation No. 22 of The Institute of Chartered Accountants in England and Wales which deals with the 'Treatment of stock-in-trade and work in progress in financial accounts'. Much more support is now given to the use, in appropriate circumstances, of replacement price, i.e. the price at which stock can be replaced if such price is less than cost. Net realizable value is also defined in the recommendation as being the amount which it is estimated, as on the balance sheet date, will be realized from disposal of the stock in the ordinary course of business, either in its existing condition or as incorporated in the product normally sold, after allowing for all expenditure to be incurred on or before disposal.

Finally, on this particular aspect we have the official observations of the Board of Inland Revenue on the Institute's recommendation. They state that their objection to replacement price is that it may be less than actual cost where no loss is expected but only a smaller profit, and, for that reason, they do not consider that it is generally acceptable for tax purposes as an alternative to actual cost or net realizable value.

So far as net realizable value is concerned, the Revenue do not demur in general from what is said in the Institute's recommendation, but they have a reservation relating to the deduction which is recommended therein for 'all expenditure to be incurred on or before disposal'. As a matter of principle, the Revenue do not agree that general selling costs to be incurred in the future should be allowed for. This, however, does not mean that they would not be prepared in practice, where the circumstances warrant it, to accept a deduction for specific identifiable items of expenditure directly connected with the stock in question, including provision for commission and brokerage which have to be incurred on sale.

It should be noted that the Inland Revenue are not prepared to accept a valuation of other than cost to the extent that stocks are covered by forward sales at prices above cost.

Special Bases of Valuation

For the sake of completeness, I must mention two special bases of valuation which are used in some businesses. The first applies to such trades as the production of tea and rubber and some mining concerns, where it is the recognized practice to bring stocks of products into the accounts at the prices realized subsequent to the balance sheet date, less

only selling costs. The object is, of course, to show in one account the whole of the profit on the crop reaped or on the minerals won during the period.

The other special basis is used by businesses which engage in long-term contract work, where it is often appropriate to spread over the period of the contract, on a properly determined basis, the profit which is earned when the contract is completed. So far as profits tax is concerned a statutory formula is provided by paragraph 14 of the Fourth Schedule to the Finance Act, 1937.

I have not mentioned the problems of the farming community and in particular the herd basis, because this is a somewhat specialized aspect outside the scope of a general paper.

It might be thought that one or other of these various methods of arriving at cost or market value would meet the needs of every business but unfortunately this is not so, as every now and again you come up against a problem which simply does not fit into the general pattern of valuation.

I will quote a few examples I have met in practice and which I think might be interesting to you

(*a*) A refinery is erected for the purpose of producing a certain chemical from crude oil. The refining process yields secondary products at each stage. In course of time, the back-room boys in the laboratories evolve different uses for some or all of those secondary products and invent methods by which they are converted into saleable stocks of varying value. How do you compute the value of those secondary products both in their unprocessed state and as saleable stocks?

(*b*) Cinematograph films are another difficult problem partly because a good film has such a long life; to complicate matters you now have comparatively large sums being paid to prevent films from being shown on television. If a film costs say £100,000 and because it is a winner, receipts exceed that sum in the first year-end after general release, is it correct to write off the whole cost straight away, even though the film may eventually gross very much more, say £250,000? Conversely, if you have spent £500,000 in making a 'stinker' which is unlikely to gross more than £200,000, at what stage should you write off the expected loss of £300,000?

(*c*) There is occasionally the odd business where there is simply no precedent and here I have in mind one which deals in second-hand jewellery, much of it antique, i.e. over one hundred years old. For any expensive item, the only customers are connoisseurs or dealers so there cannot be said to be a market price. Many items remain in stock for five to ten years and even longer, waiting for the right purchaser to come along – is it really correct to value such pieces at cost and if not, what price would you place on them?

(*d*) The company deals in a seasonal product which comes from overseas and for which there is a recognized market both in the country of origin and in London. The year-end of the company is July 31st but at that date there are no current market prices because sales of the new season's produce do not commence until September. The Inland Revenue have with considerable reluctance been persuaded to accept the opening prices of the September market as being the basis applicable to a market valuation at the previous July 31st.

Defeat of Base Stock Method

We now come to the 1953 case of *Patrick v. Broadstone Mills Ltd*, which fired a successful broadside into the use of the base stock method for taxation purposes. The company carried on the business of cotton-spinners which involves many stages of manufacture and at each stage quantities of cotton (known as 'fixed process stock') were on the machines and other quantities (known as 'spare process stock') were waiting by the machines ready to replace the cotton actually on the machines.

The fixed process stock was regarded as a base stock and had been consistently valued at a figure which had not changed for over thirty years. The spare process stock had been valued at a somewhat arbitrary figure which had gradually been increased over the years.

It is interesting to note that the fixed process stock was actually included in the company's balance sheet under the heading 'Land, building, boilers . . . and fixed stock'.

The Special Commissioners gave their decision in favour of the company but both Mr Justice Vaisey in the High Court and a unanimous Court of Appeal rejected the method and the Inland Revenue won the day. Very briefly, the reasons for the decision may be summarized as under:

(*a*) The fixed and spare process stocks were both part of the stock-in-trade of the mill no matter what the company liked to call them.

(*b*) That being so, it was proper to apply the normal basis of the lower of cost or market price.

(*c*) To accept the base stock method would not matter if quantities and prices remained stable, but if either or both these conditions were missing, you would get a distorted profit for the year.

(*d*) In years of rising prices which were, of course, the case at the time, the base stock method would lead to an under-statement of profits and however sound this might be from the commercial point of view it was not acceptable for tax purposes since section 127 of the Income Tax Act, 1952, requires that the income 'shall be charged . . . on the full amount of the profits or gains of the year preceding the year of assessment'.

In the Court of Appeal, Lord Justice Singleton said:

> 'The one [method] which shows most accurately the position between the Revenue on the one hand and the taxpayer on the other hand, is the one which ought to be adopted. In other words, it is not sufficient to say that a particular system of accounting is a well-recognized system of accounting and all right during normal times, if the contention

on the other side is that the system does not give a true result for the particular year, the accounting year.'

and Lord Justice Birkett quoted with approval the dictum of Lord Porter in *Ryan v. Asia Mill Ltd* (1951):

'Moreover what may be prudent accountancy for a company is not necessarily the correct method of ascertaining the proper assessment for income tax.'

LIFO – the *Anaconda* Case

We must now travel two years in time and several thousand miles in space to have a look at the case of *Minister of National Revenue v. Anaconda American Brass Ltd* (1955) which settled that the LIFO method was not acceptable for Canadian tax purposes.

This involved a Canadian company and was argued under Canadian law before the Judicial Committee of the Privy Council; nevertheless, there is so little difference between the Canadian and United Kingdom tax law in relation to the valuation of stock-in-trade that it is considered the decision in the *Anaconda* case is equally applicable to the United Kingdom.

In his judgment Lord Simonds commented that an expert witness called for the company had observed that he did not imagine any of the company's witnesses would claim for a minute that there was a quantity of metal then on hand acquired in 1936 equal to the quantity which was valued at 1936 cost. Yet there was no less than six and a half million pounds of copper in the 1947 closing stock inventory valued at 1936 prices. The witness might have added that, year by year, the same thing would happen, so long as the existing business continued and existing stocks were not seriously diminished; then in 1997 as in 1947 the closing stock inventory would still carry stock at 1936 prices. This illustrates clearly the LIFO method, and shows how far it has travelled from the conception which has prevailed in the assessment of income for tax purposes.

Later in his judgment Lord Simonds, having referred to the evidence of expert witnesses that the LIFO method is generally acceptable and was in this case the most appropriate method of accountancy, then commented:

'The question remains whether it conforms to the prescription of the Income Tax Act . . . in their lordships' opinion it does not.'

In bare essentials, the judgment of Lord Simonds may be said to amount to the following propositions:

(*a*) That the true income is to be ascertained as nearly as it can be done.

(*b*) That the true income is that calculated by ordinary principles of commercial accounting so far as these are not modified by express provisions in the taxing Acts.

(*c*) That ordinary principles of commercial accounting require that stock should be valued at the beginning and end of the accounting period at the lower of cost or market price.

(*d*) That having regard to all this, the LIFO method does not produce a true figure of income and, consequently, is inadmissible for tax purposes.

Direct Cost *versus* Oncost

It is probable that most of you will not have been much, indeed if at all, affected by any of the cases which I have so far dealt with in some detail but now we come to one which I am sure must be in all your minds – I refer, of course, to the recent House of Lords decision in the case of *Ostime v. Duple Motor Bodies Ltd.*

I must confess that when I first heard that this case was coming before the High Court, I was in some trepidation because we were involved in numerous cases concerning the same point and I feared that we might well get a decision in favour of the Revenue which would bind us once and for all, irrespective of the merits of our own particular arguments. The Special Commissioners had found that on the evidence, the accountancy profession as a whole is satisfied that either the direct cost method or the oncost method (in valuing work in progress) will produce a true figure of profit for income tax purposes and that it is very much a matter of policy for the decision of the directors of a company which method should be used. They then indicated a preference for the oncost method, and found that a number of items, called 'factory overheads', should be added to the direct costs, and they stated the questions of law for the opinion of the Court on that basis.

In the event my fears were proved to be groundless because the taxpayer won the day from the High Court onwards, with unanimous judgments in both the Court of Appeal and the House of Lords.

For me, however, there remains one question which I find very puzzling and to which I do not expect to receive an answer, that is: Why did the Inland Revenue choose this particular taxpayer to test the point at issue? On such evidence as is available from the published documents, they selected a case where the facts – at any rate on common-sense grounds – were all in favour of the company. There must be many manufacturing businesses where the omission of overheads from the valuation of work in progress completely distorts the amount of the profits for a particular year, yet following the *Duple* case, they can continue to omit such overheads if they so desire.

The decision in the House of Lords is only six months old and is, therefore, the latest word on the title of my paper; it is a finding which is likely to affect most of us for many years to come.

As I have already indicated, the point at issue was quite a simple one – in ascertaining the value of work in progress for tax purposes, should you take the cost of direct materials and direct labour only or should you add to such direct cost a proportion of the overheads? It was common ground that both

methods were recognized as correct accountancy and in their stated case the Special Commissioners had said:

> 'Professional accountancy opinion is rarely static on questions of this kind; we find that up to fairly recently the weight of accountancy opinion was in favour of the oncost method, but that now the trend in the profession is slightly away from this method.
>
> 'On the evidence adduced before us we find – and this naturally has caused us difficulty – that the accountancy profession as a whole is satisfied that either method will produce a true figure of profit for income tax purposes.'

Here you had a business which built, to order, bodies for different types of road vehicles, mostly motor coaches, with very few finished bodies on hand at the end of the accounting period. The turnover exceeded £1 million per annum in the years concerned and it would seem that substantial profits were being earned as the assessment for 1951–52 was in the sum of £250,000.

Viscount Simonds said that in order to answer the question at issue, it was necessary to be told precisely of what the oncost method consisted and he doubted whether at the end of two days' discussion, it was possible to form any clearer idea of it than that it is at least something different from the direct cost method about which there is no less difficulty of definition. Apparently learned counsel, after arguing strenuously in favour of the oncost method on behalf of the Inland Revenue, had invited their lordships to assist the Crown by saying in what that method consisted.

Valuation Prerequisites

His lordship stressed that, in ascertaining the value of work in progress, two considerations must be borne in mind: firstly, that ordinary principles of commercial accounting must be observed as far as practicable and, secondly, that the law relating to income tax must not be violated; that is to say, by one means or another the full amount of the profits or gains of the trade must be determined. He conceded, however, that a first principle of tax law is that the taxpayer, in ascertaining his profit, is entitled to debit his expenditure in the year of assessment (unless excluded by section 137 of the Income Tax Act, 1952) and this is so although the whole of that expenditure may not bear fruit in that year (*Vellambrosa Rubber Co Ltd v. Farmer* (1910)).

His judgment revealed some interesting figures: under the direct cost method, the value of work in progress at the end of the relevant year was £2,000 less than at the beginning, whereas under the oncost method (presumably including fixed as well as variable overheads, although this is not clear) it would have been not £2,000 less but £14,000 more; this arose because there had been a considerable reduction in trade during the year and the overheads were spread over a smaller number of units.

I have heard it argued that work in progress – particularly in the early stages of manufacture – has no value other than as scrap so that even the direct cost method brings about an over-valuation. This school of thought will have received some comfort from Viscount Simonds' closing words:

> 'It may be equally open to the taxpayer in special circumstances to show that something less than the cost of material and wages should be taken as the value of work in progress or stock-in-trade.'

It seems from Lord Reid's judgment that at one time it was common to take no account of the value of either stock or work in progress for income tax purposes – an interesting thought, but one on which there can have been no doubt since the case of *Whimster & Co v. C.I.R.* to which I have already referred.

Lord Guest commented that, for a period of about fifty years, the Crown had accepted the direct cost method and as this was the first case in which they had sought to bring in the oncost method, the burden upon them was a heavy one. He took the view that the oncost method offended against the rules contained in section 137 of the Income Tax Act, 1952, whereby the deductible expenses include all expenses wholly or exclusively laid out for the purposes of the trade. It followed that the adoption of the oncost method involves the carrying forward of expenditure otherwise deductible under section 137.

I expect that, like myself, many of you will have had a number of cases involving the same point which were held over pending the *Duple* decision. Somerset House has now issued instructions to all districts – but not, unfortunately, to taxpayers or their professional advisers – of the basis on which such outstanding cases can be settled.

So far my experience has been that if the direct cost basis or a limited oncost system (which the Revenue had been arguing was inadequate) has been adopted throughout, then that basis will be accepted for tax purposes. Similarly, if under Revenue pressure, the basis was altered on to full oncost but at the same time you lodged a protective caveat pending the result of the *Duple* case, then there will be no objection to you reverting to the previous basis.

For those already on the full oncost basis, I am afraid I cannot hold out much hope that they will be permitted to change to the direct cost basis for tax purposes, unless there has been some exceptional change of circumstances.

If, by any chance, you should be faced with making adjustments for an altered basis of valuation, I would remind you that, for tax purposes, the opening and closing valuation must be on the same basis – see *Bombay Commissioners of Income Tax v. Ahmedabad New Cotton Mills Co Ltd* (1929) and *Steel Barrel Co Ltd v. Osborne (No. 2)* (1948). You may also find that the Revenue will want to go back six years.

The Royal Commission suggested in their final report that, in certain circumstances, a taxpayer should be permitted to alter his basis of valuation on

condition that the effect of such change should be included as a taxable profit or as an allowable loss, as the case may be.

Value of 'Own Consumption'

Before I leave case law, I will refer briefly to *Sharkey v. Wernher* (1955) where the House of Lords decided that where there is a trade and a transfer of stock is made from the business to the owner for his private use, then the transfer must be made not at cost, but at current realizable value. This seems to infer that a person can now be regarded as making a taxable profit by trading with himself. However, this may well have been a somewhat Pyrrhic victory for the Inland Revenue particularly with market gardens run at a loss, although, of course, section 20 of the Finance Act, 1960, has now taken care of that position.

I gather that, in the case of small traders, local Inspectors of Taxes are not being unreasonable in applying this decision to what is termed 'own consumption' but I would remind you that it does *not* apply to:

(*a*) goods which never formed part of the *trading* stock,
(*b*) services, and
(*c*) expenditure on the construction of a fixed asset for the trade itself.

It must also be remembered that if the business is, for example, a one-man company, then section 161 of the Income Tax Act, 1952, applies and this calls for an adjustment of the 'expense incurred by the body corporate' which can only be cost.

I have already mentioned the final report of the Royal Commission on the Taxation of Profits and Income. They spent some time in considering the determination of true profit at a time of rising prices and I will adapt one example which is thought-provoking. A trader buys 1,000 articles for £1,000 and sells them for £1,200 during the course of the year; if, by the end of the year, it costs him £1,200 to buy 1,000 exactly similar articles has he, in fact, made a true profit or increased his real wealth?

Royal Commission's Views

The Royal Commission came to the conclusion that it would not be advantageous for the tax system to contain a requirement that all businesses must use a single prescribed method in valuing their stock-in-trade for the purpose of computing taxable profits and they did not think that any method should be accepted for tax purposes unless it:

(*a*) is designed to secure that the cost assigned to any item of stock represents a real figure for the cost of that item and is not arrived at by an arbitrary or fictitious process, and
(*b*) is calculated, if used consistently over a period of years, to give a fair reflection of the profits of each year.

They did, however, approve several bases – actual cost of identifiable parcels, FIFO, the moving average, standard cost, selling price less normal profit and disposal expenses, market value on defined lines and, finally, a combination of the lower of any of the cost bases which I have mentioned and market value.

Recommendation No. 22

I have also referred previously to the revised Recommendation on Accounting Principles – No. 22, on the 'Treatment of stock-in-trade and work in progress in financial accounts', which was issued by the Council of The Institute of Chartered Accountants in England and Wales in November 1960. This replaced an earlier recommendation made in 1945. It consists of no less than eleven pages and is worthy of close study. There are various sections dealing with:

(*a*) Cost, including its elements, the treatment of overhead expenditure and methods of computation of cost.
(*b*) Reduction to net realizable value.
(*c*) Reduction to replacement price.
(*d*) Special bases used in some businesses.
(*e* Description in the annual accounts, and finally
(*f*) Recommendations.

What is regarded as the normal basis is defined as follows:

> 'The basis normally used for the determination of the amount to be carried forward for stock and work in progress is its cost less any part thereof which properly needs to be written off at the balance sheet date.'

It is stressed that accounts must give a true and fair view of the trading results and the financial position and that this is not possible unless the basis adopted and the methods of computation are used consistently from period to period. It is recommended that in accounts the use of the term 'market value' should be discontinued.

The taxation aspects of this recommendation has been discussed with the Board of Inland Revenue who welcomed the guidance given therein and found it largely acceptable for tax purposes.

I have already dealt with the Revenue's reservations on net realizable value and replacement price; they also have some comments to make on the question of overheads in which they concede that there are circumstances in which the proportion of fixed overheads to be included may need to be adjusted by reference to the normal level of activity.

Concluding Comment

So far, my paper has consisted in the main of a review of the law as it stands today and of extracts from documents issued by various authorities in connection with the subject. I will conclude with some thoughts of my own.

In the great majority of businesses in this country,

whether large, medium or small, the stock valuation is the one figure that affects the trading result of the period more than any other. Far too frequently stock adjustments are utilized as a convenient means of reducing profits and creating a hidden reserve for use as occasion demands.

Although – as is the case in both the U.S.A. and Canada – the auditor in the United Kingdom is not required by law to attend physically at stocktaking, it cannot be denied that the verification of the stock valuation is more often than not an extremely tedious task. Generally speaking, you will find the work has been delegated to the most junior members of the audit team and I know from personal experience that there is nothing more soul-destroying than to be faced in the early days of one's articled service, with hundreds – if not thousands – of well-thumbed stock sheets.

While I think that the Inland Revenue have, in many instances, been using a far too theoretical approach to the subject of stock valuations, I would not for one moment suggest that their post-war interest therein has been without justification. Too often one comes across cases where stock has been under-valued with no other purpose than to reduce the taxation charge and quite irrespective of whether, as a result, the accounts did or did not show a true and fair view of the year's trading.

Stock under-valuations sometimes have a most unexpected and indeed unpleasant boomerang effect. As an example, where the shares of a family business are offered for sale (so that the vendors can retire after a lifetime of work) I have known instances where the prospective purchasers have broken off negotiations because the stock under-valuations were of such a nature as to constitute a real threat of a back-duty investigation by the Inland Revenue with all its unpleasant repercussions.

The auditor's duty should surely start with giving assistance in drawing up the stock-taking programme and even the one-man retail shop would be helped by skilled and experienced advice on the best way of tackling the job.

The verification of the stock figures should then be given their proper measure of attention during the audit and all the usual tests applied thereto by competent personnel.

Verifying the stock figure of a major industrial company is, of course, a mammoth task but, in all probability, it will be greatly assisted by the existence of stock records, standard costing, internal stock-taking and the like. Equally, it is a problem to the small practitioner whose work is handicapped not only by lack of staff but probably by a fee which is by no means commensurate with the services necessary for an adequate audit.

The first quotation in my paper was that of Lord Halsbury who, nearly seventy years ago, said 'Profits or gains must be ascertained on ordinary principles of commercial trading' and time and again in the judgments in subsequent cases you will find this phrase repeated with only slight variations in the wording.

Where the Revenue has had any success in upsetting methods of stock valuation, it has been because this rule has been offended against with the result that the accounts did not show a true and fair view of the year's trading as required by the Companies Act and the full amount of the profits or gains of the year as required by section 127 of the Income Tax Act, 1952.

I am convinced in my own mind that all of us have got to pay a great deal more attention to the correctness of stock valuations and that by so doing we can establish a fortress of good commercial practice which will be unassailable by the Inland Revenue.

Weekly Notes

DECIMAL CURRENCY INQUIRY

THE committee to inquire into the method and cost of introducing decimal currency, recently appointed by the Chancellor of the Exchequer under the chairmanship of Lord Halsbury (announced in our last issue), held its first meeting on Friday of last week.

The committee discussed the lines on which its inquiry should be conducted and the procedure with regard to the taking of evidence. It was decided that the public should be invited to submit evidence. The sittings of the committee for the purpose of hearing evidence will be held in private, but it is the intention of the committee that a summary of the evidence taken should be included in its report.

Persons or organizations wishing to submit evidence to the committee should write to the Secretary, Mr N. E. A. Moore, Treasury Chambers, Great George Street, London SW1, until February 28th, and at State House, 62–71 High Holborn, London WC1, thereafter. It would be convenient if such persons would let the secretary know as soon as possible the date by which their written evidence can be expected and their particular fields of interest. Statements should, in any event, be in the hands of the secretary not later than April 30th next. The committee will, if it so desires, invite persons tendering written statements to supplement them orally.

The committee states that it would be of assistance if fifteen copies of any written memorandum could be supplied.

MUNICIPAL TREASURERS' EXAMINATIONS

A TOTAL of 706 candidates sat for the examinations of The Institute of Municipal Treasurers and Accountants held last November. The results now announced show that 238 candidates sat for Part A of the Final, of whom 98 (41 per cent) were successful; in Part B of the Final, 199 candidates sat and 93 (47 per cent) passed.

Places and prizes have been awarded on the combined results of the May 1961 and November 1961 examinations and in the Final examination the First Place, Arthur Collins Memorial Gold Medal and the Institute Prize of ten guineas, were awarded to Mr Dennis Geoffrey Ball, of the Comptrollers' Department, London County Council.

There were 269 candidates for the Intermediate examination of whom 98 (36 per cent) passed, and the First Place and Prize of six guineas were awarded to Mr Brian Collinge, of the City Treasurer's Department, Manchester.

The names of the successful candidates in Parts A and B of the Final, together with a summary of the complete results, appear elsewhere in this issue.

BANK CHAIRMEN'S REVIEWS

THERE is a touch of asperity in the reviews of the chairmen of the large joint-stock banks this year. Sir Eric A. Carpenter, of Williams Deacon's Bank, thinks the outlook for the economy in 1962 is obscure and fraught with difficulty, especially for bankers. He considers that there is a good case for returning to the banks a substantial proportion of the special deposits.

Lieut-Col T. Marshall Brooks, of the District Bank, wishes to see the abolition of stamp duty on cheques. He is joined by Lord Monckton of the Midland Bank in thinking its revenue small in relation to its cost and inconvenience. Col Brooks favours entry by this country into the European Common Market and is moderately optimistic about the immediate prospects for the economy.

Mr D. A. Stirling, of the Westminster Bank (he succeeded Lord Aldenham on January 1st), thinks that when financial restrictions are put upon the banks at recurring economic crises, like restraints should apply to other deposit-takers and credit-givers. He also looks askance at some customers being allowed to borrow abroad at short-term to finance home trade that the banks have been asked to discourage.

Like other chairmen, Lord Monckton of the Midland Bank, does not see the 'pay pause' and Government action alone curing the country's economic ills. Welcoming the proposed National Economic Development Council, he suggests two prerequisites for success. First, confidence should be established in all sections of the community. Secondly, it must be recognized that commitments cannot exceed resources.

INLAND REVENUE REPORT

THE 104th report of the Board of Inland Revenue, published last Wednesday, shows record total receipts – income tax, surtax and estate duties all being higher than ever before. Another record is in the number of successful prosecutions for income tax offences.

The report shows the first full year's figure for interest payable with repayments of post-war credits; it was £401,000. One interesting feature is the classification of stamp duty receipts over ten years and given in more detail than in previous reports.

There are some alterations to the published extra-statutory concessions; details of these changes will be given in next week's issue when we shall review the report at greater length.

CREDIT FOR EXPORTS

A JOINT scheme by which the London and Scottish clearing banks and sixty insurance companies will provide exporters of capital goods with finance at constant rates of interest, was announced on Tuesday.

The banks have agreed to provide money at 5½ per cent (irrespective of Bank rate changes) for the first five years for which finance is required, while the insurance companies will lend a total of £100 million at a constant 6½ per cent for periods over five years.

The scheme will be allied to the credit insurance provided by the Export Credits Guarantee Department, and exports for which the foreign buyer needs over five years to pay will be covered by E.C.G.D. bank or financial guarantees.

SIMPLIFYING SHARE TRANSFER

CRITICISM of the excess of paper-work in the present system of transferring ownership of securities led to the formation in November 1959 of a City committee under the chairmanship of Lord Ritchie of Dundee, Chairman of the London Stock Exchange, and its first report was published in December 1960 (see *The Accountant* of December 10th, 1960). It was then recommended that transfer by stock transfer form offered an acceptable solution.

Last week the committee's second report appeared in which it states that it requested its advisory committee to study the practical application of the proposed new system of transfer with representatives of the Association of Investment Trusts, the British Insurance Association, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, the nominee companies of the London clearing banks and with stockbrokers, jobbers and a number of registrars of United Kingdom and overseas securities. As a result of these discussions the committee states that it is satisfied that the new system is acceptable.

The committee also sought and obtained the views of the Councils of The Law Society and The Law Society of Scotland on the proposed new transfer system. Further, the opinion of counsel on certain legal aspects of the proposals and on the legislation which they consider necessary has been obtained. As a result, the committee considers that there are no serious obstacles to the introduction of the necessary legislation.

Consultations with interested bodies are continuing and the advisory committee is preparing a comprehensive guide to the new system of transfer, the final form of which must, of course, depend on the wording of the legislation. It is proposed to publish this guide after legislation has been enacted.

Transfer by stock transfer form provides that whatever the number of buyers, a seller would sign only one document (a 'parent' transfer); witnessing would be abolished and the selling broker would get the signature as soon as possible before settlement date. If there was more than one buyer, the broker would set out details on an 'offspring' transfer. The buyer of fully-paid shares would not have to sign any transfer. His broker would, however, have to complete the transfer form sent to him by the selling broker. It is claimed that this method would save brokers several consequential operations and greatly reduce delays.

This is My Life . . .

by An Industrious Accountant

CHAPTER 108

IN our cheque payments section we have Frank, a young chartered accountant who joined us shortly after qualifying. He came to see me with a problem recently. He's a quiet, rather shy young fellow of naturally studious bent, living at home. He'd like to put his spare time to beneficial use, he said; would I recommend him to study for a further qualification or degree? And if so, what?

This is not infrequently a problem for these young qualified men. It's perhaps a pity we don't organize a good distinction to cater for such bookworm types who are only too eager to prepare a thesis for such a laudable object. However, there are some excellent alternatives, such as the specialized courses of the I.C.W.A. and the C.I.S., and we discussed their possibilities. Frank didn't like the thought of more Intermediate-level examinations, but I explained the exemption concessions.

However, we found a solution. Frank had got his B.Com. before qualifying; he has an uncle on the professional staff of the university of a nearby city; an M.Com. degree was possible. The requirements for attendances at lectures were nominal and easily arranged; the preparation of a thesis by his own fireside was all that was necessary. He fell to eagerly.

I have always had mental reservations about the effect of night study on hard-working accountants, but the result on Frank seemed to be all to the good. His thesis dealt with export trade. He became our local authority on the subject; his new self-confidence was impressive. Frank put us right in our discussions on more than one occasion; he explained that a university graduate had a tremendous advantage in the field of economics. A graduate, he said, obtained a detached, impartial outlook; a graduate was objective; a graduate's executive potential had extended its horizon. (He seemed to like this phrase; he used it often.)

He was telling us about some take-over bid one day. 'That's a good firm,' he said. 'It employs a lot of graduates. It has a policy of graduate development management-wise.' He was particularly interested because he planned to take his Ph.D. degree by 1965. 'My uncle says we stand or fall, world-market-wise, according to our level of graduate production annually.' There was a sort of narrowing of eyes, a setting of lips, among his hearers. 'My uncle was telling me that the empirical contribution to world neo-political arch-economic ideology, by the average graduate, is almost chrosomatic. . . .'

Came the day when we were planning an internal lecture course on basic accounting practice, for our non-accounting staff. Frank was on the organizing committee. 'The talk on the national level of output?' he queried. 'Surely that should be delivered by nobody lower than a graduate?' An aura of benevolent but aristocratic intellect seemed to play around his head; a master-mind was among us.

The momentary pause was broken sharply by our young cost accountant, whose fiery reactions will one day make or break him. 'We don't *have* anything lower than a graduate here,' he said, 'In fact, there isn't anything lower', and indignant voices swelled to a roar around the table.

When order was restored, Frank made honourable and prompt amends. 'O lor', did I sound as appalling as all that?' he queried disarmingly, and peace was established.

Though Frank doesn't mention graduates any more (at least, hardly ever), I hear he has submitted a mammoth thesis to the university, and our cost accountant has asked for a syllabus of its courses. Their colleagues, too, are showing quickening interest; performance is improving all round. *O si sic omnes.*

CORRECTION: Our 'Industrious Accountant's' reference to Sandford and Merton in the issue of December 16th, was, we regret, misprinted 'Sandford and Morton'.

Finance and Commerce

Bank Accounting

BANK accounting, internally, is right up to the mark; it has to be. For stockholders and the banking public, too, it is hardly more than a matter of days. Barclays, whose consolidation provides this week's reprint, announced its final dividend for the year to December 31st, 1961, on January 4th, and published its accounts on January 11th, with the annual meeting being called for February 8th.

It is rather interesting to see in Barclays 'parent' accounts the continued inclusion of the shillings and pence which, in general, have practically disappeared. Cash in hand and with the Bank of England – it is noted – £154,263,863 6*s* 4*d*. This is passing strange, especially as the consolidated figures are approximated to pounds. Still more so when it is remembered that the banks are legally permitted to maintain secret reserves.

Mr Anthony Tuke, in his final address as chairman, says: 'The whole question of our inner reserves is again under investigation, and in certain quarters there is pressure for their disclosure.' He refers to the 'cold winds of misfortune' that the banks have at times to face, and claims: 'We are entitled to provide ourselves with a good wardrobe of warm underclothes to wear when bad weather is threatened.' On the other hand, he adds, 'it is not necessarily in anyone's interest that we should be subjected to the public gaze when we are in the act of putting them on and off'.

If the banks should ever be required to publish their inner reserves, it will indeed be a 'red letter day' – although perhaps 'red' in this connection is hardly the colour.

Export Finance

Mr Tuke deals with a matter which has had some publicity in these columns – finance for exports. Exports must be encouraged but as a question for the Government, the subject is made more difficult by the existence of an international agreement that exports shall not be subsidized, although interpretation of the agreement 'seems to give rise to considerable misunderstandings in practice'. Mr Tuke suggests that a possible method of approach to this difficult question might be by way of an exemption from profits tax liability related to the proportion which export turnover bears to a company's total turnover.

BARCLAYS BANK LIMITED

GROUP CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1961

1960 £		£	£
6,771,039	Combined Net Profits of Barclays Bank Limited and its Subsidiaries after providing for taxation and after deducting transfers to inner reserves, out of which reserves provision has been made for diminution in value of assets		7,407,646
	Deduct:		
160,000	Additional appropriations by Subsidiaries to Contingency Accounts	150,000	
	Interest of outside stockholders of Subsidiaries	£	
371,975	Dividends	432,964	
320,308	Appropriations to Reserve Funds and Unappropriated	323,129	
		756,093	906,093
	Interest of members of Barclays Bank Limited in:		
£5,918,756	The profits of the year		£6,501,553
	Balance brought forward		
1,056,880	Barclays Bank Limited	1,220,289	
1,250,922	Subsidiaries	1,318,912	
			2,539,201
£8,226,558	Amount available for appropriations		£9,040,754
2,398,623	Transfers to Reserve Funds	2,321,717	
	Dividends, less Income Tax		
1,521,727	Interim dividends	1,644,367	
1,767,007	Proposed final dividends	1,843,657	
		3,488,024	5,809,741
	Balance carried forward		
	Barclays Bank Limited	1,805,831	
	Subsidiaries	1,425,182	
£2,539,201			£3,231,013

BARCLAYS BANK LIMITED · GROUP CONSOLIDATED BALANCE SHEET · 31st DECEMBER 1961

1960	LIABILITIES	£	£
2,444,908,492	Current, Deposit and other Accounts (including reserves for contingencies and balance of Profit and Loss)		2,562,340,394
1,767,007	Proposed dividends, less income tax		1,843,657
15,947,551	Notes in circulation		15,790,266
2,462,623,050			2,579,974,317
110,845,341	Acceptances, Guarantees, Indemnities, etc., for account of customers		137,753,316
12,567,544	Interest of outside stockholders in the capital and reserve funds and profit and loss balances of Subsidiaries		15,896,642
	Capital Authorised		
	49,000,000 Ordinary shares of £1 each	£49,000,000	
	1,000,000 Staff shares of £1 each	1,000,000	
		£50,000,000	
	Capital Issued (converted into stock)		
40,045,778	Ordinary stock	£45,051,501	
817,050	Staff stock	817,050	
		45,868,351	
	Reserve Funds (after deducting premiums on holdings		
27,000,037	in Subsidiaries)	£06,000,101	
—	Reserve Funds (Share Premium Account)	7,508,584	
		43,760,765	
£2,655,947,500			£2,823,253,591

1960	ASSETS	£	£
224,290,164	Cash in hand and with the Bank of England and Central Banks abroad		224,665,658
134,739,132	Balances with other Banks and Cheques in course of collection		135,971,564
197,648,257	Money at Call and Short Notice		294,732,656
	Bills Discounted and Re-financeable Credits	£	
234,807,998	British and other Government Treasury Bills	258,966,906	
86,673,311	Other Bills and Re-financeable Credits	109,340,300	
			368,307,206
33,500,000	Special Deposits with the Bank of England		53,200,000
	Investments (including £1,174,239 lodged as security for Public Accounts and with the Crown Agents for Oversea Governments and Administrations as security for note issues, and with others)		
367,106,082	Securities of, or guaranteed by, the British Government	343,217,203	
	Other Investments	£	
20,190,123	Quoted on a recognised Stock Exchange	19,682,610	
43,472,697	Quoted elsewhere than in Great Britain	34,345,864	
		54,028,474	
5,075,481	Unquoted Investments	5,898,054	
			403,143,731
1,120,728,600	Advances to Customers and other Accounts		1,144,303,953
			2,624,324,768
20,355,769	Trade Investments, at cost less amounts written off		20,505,247
	Bank Premises and adjoining Properties, at cost less amounts written off and reserves		40,670,260
110,845,341	Customers' liability for Acceptances, Guarantees, Indemnities, etc.		137,753,316
£2,655,947,500			£2,823,253,591

A. W. TUKE *Chairman* J. THOMSON *Deputy Chairman* J. D. COWEN F. S. BEDFORD H. E. DARVILL D. E. WILDE *General Managers*

9TH JANUARY 1962 C. FITZHERBERT T. M. BLAND L. E. D. BEVAN *Vice-Chairmen* F. G. BACON *Chief Accountant* R. J. H. GILLMAN *Secretary*

For the actual financing of exports, he says: 'I believe that in the national interest the resources of institutional long-term investors should be harnessed to provide the longer-term finance.' Longer term, that is, as against the five years the banks are prepared to finance. These investors, he suggests, 'might be invited to set aside a proportion of their accruing funds over the next few years to subscribe for twenty- to twenty-five-year bonds carrying directly or indirectly the guarantee of the Government through the exports guarantee scheme and enjoying, if possible, the advantages of marketability'.

But he rather negatives his suggestion by admitting that as cost is important, the money should be raised on 'reasonably favourable terms which would not be available in the open market in present conditions'.

Sections 132 and 210

A SITUATION that is probably unique in company administration has developed in the affairs of the Gloucester Railway Carriage & Wagon Co Ltd and, being exceptional, is well worth looking at. The unusual gives interest to the normal straightforward processes of company law. What is involved is the position of shareholders under sections 132 and 210 of the 1948 Act.

Under these sections, shareholders are given the right to requisition an extraordinary meeting. The requisition must be supported by holders of at least one-tenth of the capital carrying voting rights at general meetings, who must state what they want the meeting for; the directors have twenty-one days from the deposit of the requisition with the company to convene the meeting. Should the directors fail to comply with the requisition, shareholders may take the matter into their own hands, convene the meeting and recoup from the company the expenses incurred. It is an important section and one that has been made use of on many occasions in recent years, in so far as directors have complied

BARCLAYS BANK LIMITED · BALANCE SHEET · 31st DECEMBER 1961

1960	LIABILITIES	£	s.	d.	1960	ASSETS	£	s.	d.
£					£				
	Current, Deposit and other Accounts (including reserves for				153,744,177	Cash in hand and with the Bank of England	154,263,863	6	4
1,717,693,665	contingencies and balance of Profit and Loss)	1,806,216,576	13	0	108,039,366	Balances with other British Banks and Cheques in course of collection	85,419,194	9	4
8,409,827	Balances in account with Subsidiaries	8,661,422	5	11	161,690,000	Money at Call and Short Notice	240,546,749	17	2
1,767,007	Proposed dividends, less income tax	1,843,657	3	11	175,975,000	Bills Discounted and Re-financeable Credits			
1,727,870,499		1,816,721,656	2	10	50,680,934	British Government Treasury Bills .. £ 197,920,000 0 0 Other Bills and Re-financeable Credits 73,103,006 9 5			
					32,600,000	Special Deposit with the Bank of England	271,023,006	9	5
	Acceptances, Guarantees, Indemnities, etc. for account of					Investments (including £27,567 8s. 6d. lodged as security for Public Authority and other accounts)	51,800,000	0	0
51,694,318	customers	58,428,897	13	11	276,085,706	Securities of, or guaranteed by, the British Government 242,852,624 10 5			
					17,417,160	Other quoted Investments 17,296,013 6 1			
	Capital Authorised	£	s.	d.		260,148,637 16 6			
	49,000,000 Ordinary shares of £1 each	49,000,000	0	0	447,327	Unquoted Investments 447,298 5 8			
	1,000,000 Staff shares of £1 each ..	1,000,000	0	0			260,595,936	2	2
		£50,000,000	0	0		Advances			
					765,668,903	Customers and other Accounts ..	780,167,071	11	7
	Capital Issued (converted into stock)	£	s.	d.	1,469,890	Balances in account with Subsidiaries	2,796,446	14	6
40,045,778	Ordinary stock	45,051,501	0	0			782,963,518	6	1
817,050	Staff stock	817,050	0	0	1,743,818,463	Investments in Subsidiaries, at cost less amounts written off			
23,500,000	Reserve Fund	30,500,000	0	0	3,728,558	The British Linen Bank 3,728,558 5 0			
—	Reserve Fund (Share Premium Account)	7,508,584	10	0	8,682,414	Barclays Bank D.C.O. 11,796,828 16 4			
		45,868,551	0	0	2,927,312	Other Subsidiaries 2,227,311 11 8			
		38,008,584	10	0			1,846,612,268	10	6
					14,684,818	Other Trade Investments, at cost less amounts written off	17,752,698	13	0
					19,091,762	Bank Premises and adjoining Properties, at cost less amounts written off and reserves	14,859,976	6	10
					51,694,318	Customers' liability for Acceptances, Guarantees, Indemnities, etc.	21,373,848	2	6
							58,428,897	13	11
£1,813,037,615		£1,939,027,689	6	9	£1,843,921,845		£1,959,027,689	6	9

A. W. TUKE *Chairman* J. THOMSON *Deputy Chairman* J. D. COWEN F. S. BEDFORD H. E. DARVILL D. E. WILDE *General Managers*

9TH JANUARY 1962 C. FITZHERBERT T. M. BLAND L. E. D. BEVAN *Vice-Chairmen* F. G. BACON *Chief Accountant* R. J. H. GILLMAN *Secretary*

in convening required meetings.

In the case of the Gloucester Railway Carriage & Wagon Co, however, the directors thought fit not to comply with the requisition notice, the position being complicated by the fact that the majority of the shareholders had accepted an offer for their shares.

Offer Accepted

The circumstances of the offer go back to about October 1960. It seems that there was no future for Gloucester in building railway rolling stock, and as Winget, the concrete-mixing machinery manufacturers, wanted more production space, Gloucester's surplus capacity was made available to them for a minimum of seven years and £300,000 was invested by Gloucester in Winget's 6 per cent Convertible Loan Stock 1967–74. The stock was convertible into Winget Ordinary on the basis of 50*s* for £1 Ordinary between 1961 and 1964 and at 55*s* between 1965 and 1967. Then, in November 1961, came the Winget take-over offer: two 5*s* Ordinary plus £4 19*s* of Winget Convertible Unsecured Loan Stock for every nine Gloucester 10*s* units.

There was opposition to the terms on the ground that Gloucester shares were worth more than Winget offered. Balance sheet asset values were questioned and the purpose of the requisitioned meeting was the consideration of a resolution concerning a revaluation of the assets.

While all this was going on, however, Gloucester shareholders were accepting the offer to such extent that it was declared unconditional, the acceptors including the leading opponents of the bid. But acceptance, obviously, would not entail immediate shift of name from Gloucester to Winget register.

How the matter will eventually end is not clear at the moment of writing. There are reports that the requisitionists have lodged a complaint with the Board of Trade and the Institute of Directors against the failure by the directors to call the meeting.

BARCLAYS BANK LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1961

1960 £			£ s. d.
5,452,143	Net Profit after providing for taxation and after deducting transfers to inner reserves, out of which reserves provision has been made for diminution in value of assets..		6,073,565 4 0
	Add:		
1,056,880	Balance brought forward from previous year		1,220,289 6 2
£6,509,023			£7,293,854 10 2
	Deduct:		
2,000,000	Transfer to Reserve Fund	£2,000,000 0 0	
	Dividends, less income tax:		
1,521,727	Interim dividends paid 8th August 1961 ..	1,644,366 17 0	
1,767,007	Proposed final dividends	1,843,657 3 11	
			5,488,024 0 11
£1,220,289	Balance carried forward		£1,805,830 9 3

NOTES ON THE ACCOUNTS

1. The balance sheets of all the Subsidiaries are made up as at 30th September or 3rd October 1961, except those of two small companies, one of which is made up as at 31st December 1961, and the other, Crédit Congolais, as at 31st December 1960. The Directors consider that to make the accounting dates of all the Subsidiaries coincide with that of the Parent Company would cause undue delay in the preparation of the accounts. Full provision has been made against the Group's investment in Crédit Congolais.

2. Provision has been made in the accounts for United Kingdom income tax on all profits earned to the dates of the respective balance sheets.

3. Foreign currencies have been expressed in sterling at the rates ruling on the dates of the respective balance sheets.

4. Contracts for capital expenditure not provided for in these accounts amount approximately to £1,308,000, all in Subsidiaries. The corresponding amount for the Group at 31st December 1960, was £1,344,000.

5. The aggregate emoluments of the Directors of Barclays Bank Limited amounted to £211,222 (*1960: £209,004*) consisting of fees £64,482 (*1960: £66,021*) and other emoluments £146,740 (*1960: £142,983*). In addition, pensions of £81,127 (*1960: £44,596*) were paid in respect of management services.

   The amount paid by Barclays Bank Limited was £229,132 (*1960: £191,505*).

AUDITORS' REPORT TO THE MEMBERS OF BARCLAYS BANK LIMITED

In our opinion the foregoing accounts and notes give in the prescribed manner the information required of banking companies by the Companies Act, 1948, and, on the basis authorised therein, give a true and fair view of the state of affairs as at 31st December 1961, and of the profit ascertained as indicated in the accounts, for the year ended on that date of the Bank and of the Group so far as concerns members of the Bank and so far as is practicable in view of the fact that, with one minor exception, the accounts of the Subsidiaries are made up to dates other than 31st December 1961.

We have obtained all the information and explanations which we considered necessary. In our opinion the Bank has kept proper books and obtained proper branch returns and the accounts of the Bank are in agreement with them and with the said information and explanations.

KEMP, CHATTERIS & CO.
PRICE WATERHOUSE & CO.
Chartered Accountants

LONDON,
9th JANUARY 1962

CITY NOTES

NEW year investment moves now seem to be a spent force in the stock-markets. Political and economic uncertainties have taken over again as the principal market influences, with the Minister of Transport's moves in the railway wage negotiations a disturbing feature.

There are signs of 're-thinking' on the growth prospect in industrial equities. Typical of this trend were the remarks of Mr P. L. Fleming, chairman of Government & General Investment Co, one of the investment trusts in the powerful Drayton group.

During the past year or two this particular trust has put more money into fixed interest securities. Mr Fleming suggested that some of the trust's low yielding equities might be sold on the view that 'even if they are growth stocks, they are going to be an unconscionably long time in growing'.

This may seem akin to investment sacrilege to the new race of investors brought up on the apparently automatic equity growth of the past five years or so. Basically, however, growth stems from higher dividends coupled with an investment frame of mind which justifies low yields by optimistic appraisal of prospects.

RATES AND PRICES

Closing prices, Wednesday, January 24th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Nov. 17	£5 7*s* 9·71*d*%	Dec. 22	£5 7*s* 3·18*d*%
Nov. 24	£5 7*s* 9·40*d*%	Dec. 29	£5 8*s* 0·72*d*%
Dec. 1	£5 7*s* 1·08*d*%	Jan. 5	£5 8*s* 7·81*d*%
Dec. 8	£5 6*s* 5·34*d*%	Jan. 12	£5 8*s* 6·03*d*%
Dec. 15	£5 6*s* 4·83*d*%	Jan. 19	£5 6*s* 2·35*d*%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	$5\frac{9}{16}$–5⅝%
Fine Trade Bills		3 months	$5\frac{9}{16}$–5⅝%
3 months	6¾–7½%	4 months	$5\frac{9}{16}$–5⅝%
4 months	6¾–7½%	6 months	$5\frac{9}{16}$–$5\frac{11}{16}$%
6 months	7–8%		

Foreign Exchanges

New York	2·81$\frac{1}{16}$–⅛	Frankfurt	11·22½–·23
Montreal	2·93⅝–¾	Milan	1744¾–5
Amsterdam	10·13¼–¾	Oslo	20·03¾–04¼
Brussels	139·89¼–¾	Paris	13·77¼–½
Copenhagen	19·34¾–·35¼	Zürich	12·13¼–½

Gilt-edged

Consols 4%	59$\frac{1}{16}$	Funding 3% 59–69	83$\frac{1}{16}$
Consols 2½%	38$\frac{7}{16}$	Savings 3% 60–70	79xd
Conversion 5¼% 1974	92¼	Savings 3% 65–75	70$\frac{9}{16}$
Conversion 5% 1971	90⅞	Savings 2½% 64–67	85⅜
Conv'sion 3½% 1969	84$\frac{13}{16}$xd	Treasury 5½% 2008–12	85¾
Conversion 3½%	53	Treasury 5% 86–89	83⅛
Exchequer 5½% 1966	98$\frac{5}{16}$	Treasury 3½% 77–80	69¾
Funding 5½% 82–84	90¼	Treasury 3½% 79–81	68$\frac{11}{16}$
Funding 4% 60–90	89⅛	Treasury 2½%	38$\frac{7}{16}$
Funding 3½% 99–04	57⅝	Victory 4%	92¼xd
Funding 3% 66–68	83¾	War Loan 3½%	52¾

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Research Activities under the Microscope

SIR, – In the second leading article in your issue dated January 13th, 1962, you make the plea that

> '. . . it would obviously be helpful to accountants in industry and to the profitable utilization of research and development effort in the country if one of the professional bodies could contrive the wider dissemination of information on methods of control currently in use'.

The Institute of Cost and Works Accountants whole-heartedly supports your plea and is actively interested in the wider dissemination of information on methods of control.

At the Institute's Twelfth Summer School, held in September 1961, a paper was presented on 'The management accountant's influence on research and development', by Mr H. P. Southall, F.C.A., F.C.W.A. In October, the Institute's North Regional Cost Conference considered a further paper on this subject entitled 'Research, development and other pre-production costs', by Mr L. N. Norton, F.C.W.A., which will be reproduced in the March issue of the Institute's journal.

These two papers make an important contribution to the knowledge on this subject and we feel sure you will agree that they go at least some way to meet the need to which you so rightly call attention.

Yours faithfully,
DEREK DU PRÉ, *Secretary*,
THE INSTITUTE OF COST AND WORKS ACCOUNTANTS.

London W1.

[We welcome the opportunity of bringing to the attention of our readers the two papers mentioned by Mr du Pré which provide a valuable contribution to the discussion of research and development costs. We consider it would be helpful, however, if a factual survey were available of the extent to which various methods of control are currently in use, with particular reference to their acceptability to management as instruments in guiding policy decisions. – Editor.]

Education and Training of Accountants

SIR, – Professor W. T. Baxter's article 'The education and training of accountants', in your issue of January 20th, sets out fairly and accurately the case for a fundamental change in the attitude of The Institute of Chartered Accountants in England and Wales to education for the profession. I thoroughly endorse his argument, and particularly the urgency of the case for vigorous reform which he has advocated.

I think that the results of our apathy are already obvious. Those of us who work with accountants on the Continent know that they no longer look to Britain for inspiration or leadership, but to the U.S.A. European stock exchanges are pressing for legislation to improve the standard of published accounts, and basing their recommendations on the practices of the United States Securities Exchange Commission. When a writer in one of the French or German accountancy periodicals quotes a foreign author, it is invariably an American. The Turkish Government recently appointed someone to advise on the development of the accountancy profession in Turkey – an American accountant. Returning home, a large part of the accounting machines and systems business in this country stems from the initiative of American companies, led by accountants. And when I devised a course to explain accountancy to managers, I was unable to find a satisfactory textbook written by a British accountant and therefore had to use books written by American accounting teachers.

Finally, although I am fully conscious of the value of the 'special degree', I think that there is a strong argument for a full three-year university course in accounting. This would require some economics, law, and mathematics but only to the extent that they were necessary, i.e. in relation to the application of accounting techniques to economics and law, and of mathematical techniques to accounting data.

Yours faithfully,
KENNETH S. MOST, LL.B., F.C.A.

London SW7.

Calling Liberal Accountants

SIR, – The recent growth of interest in the Liberal Party as a new force on the left has resulted in the development of Liberal professional associations.

The Association of Liberal Lawyers has been in existence for some time and Liberals in the teaching profession held their first conference earlier this month.

It is time that Liberal chartered accountants had some form of association. Such a group could do invaluable work in producing and scrutinizing (along liberal and radical lines) policy statements on company law, taxation, industry, etc.

A number of accountants have already been in touch with me in connection with the formation of such a group. It is possible that other readers may wish to be associated with our scheme and I would be glad if they would write to me.

Yours faithfully,
MICHAEL MINTER.

42 Kevington Drive, Chislehurst, Kent.

FOR STUDENTS

SHARE CERTIFICATES - I

SECTION 81 of the Companies Act, 1948, provides that a certificate under the common seal of the company, specifying any shares held by any member, shall prima facie be evidence of the title of the member to the shares. By section 155, the expression 'share' includes 'stock', except where a distinction between stocks and shares is expressed or implied.

Section 80 requires that every company shall, within two months after the allotment of any of its shares, debentures or debenture stock, and within two months after the date on which a transfer of any such shares, debentures or debenture stock is lodged with the company, complete and have ready for delivery the certificates of all such shares, the debentures, and the certificates of all debenture stock allotted or transferred, unless the conditions of issue otherwise provide. The expression 'transfer' for this purpose means a transfer duly stamped and otherwise valid, and does not include such a transfer as the company is entitled to refuse to register and does not register.

If a company is served with notice requiring it to make good any default in carrying out these provisions, and the company fail to do so within ten days after service of the notice, the Court may, on the application of the person entitled to have the certificates or debentures delivered to him, make an order directing the company and any officer of the company to make good the default within such time as may be specified in the order. The order may provide that all costs of, and incidental to, the application shall be borne by the company or by any officer of the company responsible for the default.

Where a company issues shares requiring payment in full by instalment over a short period of time, but one exceeding two months, and wishes to delay issue of the certificates until the shares are paid in full, the terms of issue should authorize the delay in the issue of the certificates beyond the statutory period.

Although share certificates are invariably issued under the common seal of the company, section 81 does not expressly require this, but simply states that if certificates are so issued they shall be prima facie evidence. If the shares are to be officially quoted on the stock exchange, however, certificates must be under the common seal of the company and must be issued within *one* month of the lodgement of a transfer or expiration of any period of renunciation.

Article 8 of Table A provides that every person entered as a member in the register of members shall be entitled without payment to require within two months after allotment or lodgement of transfer (or within such other period as the terms of issue may provide) one certificate of all his shares or several certificates each for one or more of his shares upon payment of *2s 6d* for every certificate after the first, or such less sum as the directors may from time to time determine. Every certificate shall be under the company's seal and shall specify the shares to which it relates and the amount paid up thereon. Provided that in respect of a share or shares held jointly by several persons the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

Under such a provision as article 8 of Table A, a shareholder is entitled, on surrendering his original certificate for a number of shares and on paying the necessary fee, to require the company to issue him a number of certificates each for one or more shares, together making up the total shares represented by his surrendered certificate (*Sharpe v. Tophams Ltd* ([1939] Ch. 373)).

ORDINARY SHARES

THE BLANK CO LTD

Incorporated under the Companies Act, 1948

Capital £400,000

Divided into

400,000 Ordinary Shares of One Pound each numbered 1 to 400,000.

This is to certify that.....

of .....

is the Registered Proprietor of..... Ordinary shares of One Pound each fully paid, numbered as stated on the back hereof, in The Blank Co Ltd, subject to the memorandum and articles of the said company.

Given under the Common Seal of the said company this..... day of.....19.....

.....Director

.....Secretary

This certificate must be surrendered before any transfer of all or any of the above shares can be registered.

Registered Office .....

Form of Certificate

A form of certificate for a company having only one class of shares is illustrated on page 105.

The printing on the share certificate of the address of the registered office may be of assistance to shareholders should they at any time wish to write to the company, but as the certificates get older it may be necessary to check the address thereon in case the registered office has been changed.

Reference in the share certificate to the distinctive numbers of the shares will be omitted, of course, where these have been dispensed with in the manner and circumstances authorized by section 74 of the Companies Act, 1948.

Where necessary the back of the share certificate is ruled to record particulars of the distinctive numbers of the shares originally comprised in the certificate and of those shares which have been transferred. (See illustration below.)

The form and layout of certificates vary as between different companies. Certificates for different classes of shares should be distinctive in design and/or colour.

All joint holders are named in the certificate but mostly only the address of the senior holder is stated. The certificate will normally be sent to the senior holder and articles, as in Table A, usually provide that delivery to one of several joint holders shall be sufficient.

It is a common practice to issue the certificates with a perforated form of receipt attached which can be signed by the recipient and returned to the company. Where counterfoils recording particulars of the certificate are retained in the share certificate book, the form of receipt when received by the company can be attached thereto.

Where share certificates are not printed in book form, the problem of preparing and filing counterfoils is not quite so easy and are in many cases dispensed with. The number of the share certificate may be entered on the back of the originating transfer and also in the register of members; by way of cross-reference, the number of the transfer can be endorsed on the share certificate. In the case of new issues, certificate numbers can be recorded on the application forms or on the allotment sheets. Where several certificates in the name of the holder are consolidated into one certificate, the numbers can be recorded in the share register.

Stock Exchange Requirements

The following stock exchange requirements apply where an official quotation for the shares is desired. The share certificate must:

(1) State the authority under which the company is constituted.

(2) If registered, bear a footnote stating that no transfer can be registered without production of the certificate. (This is a precautionary statement only and does not prohibit the company in proper circumstances, e.g. where the certificate has been lost, from registering a transfer without production of the certificate.)

(3) If there is more than one class of share in issue, bear, preferably on the face, a statement of the conditions conferred thereon as to capital and dividends.

(4) If an application is to be made to deal in units of stock, state on the top right-hand corner the amount of the stock and the number and denomination of units represented by the certificate.

(5) When applicable, state the minimum amount and multiple thereof in which the stock is transferable.

As regards 'autographic' signatures, stock exchange requirements are that a share certificate shall bear the signatures of one or more directors and the secretary; the signatures may be either autographic or, if the articles so permit, may be mechanically applied. If they are mechanically applied, the method of their application must be controlled by the auditors, transfer auditors, or bankers of the company.

The following are (1) a specimen article and (2) a specimen board resolution:

Specimen article

(1) Every certificate shall be issued under the seal of the company and shall bear the signatures of at least one director and the secretary, and every such signature shall be autographic unless there shall be for the time being in force a resolution adopting some method of mechanical signature which is controlled by the auditors, transfer auditors or bankers of the company, in which event the signatures of a director and of the secretary (if authorized by such resolution) may be effected by the method so adopted.

Specimen board resolution

(2) That the affixing of the common seal of the company to the ordinary share certificates to be issued in consequence of..... be attested by the mechanical signatures of director A.B. and of the secretary.

(To be concluded.)

Shares represented by certificate			Transfers					
Number of shares	Distinctive numbers		Date	Transfer number	Number of shares	Distinctive numbers		Transferee
	From	To				From	To	

Reverse side of share certificate

STUDENTS' DINNER IN LEEDS

The annual dinner of the Chartered Accountant Students' Society of Leeds was held at the Griffin Hotel, Leeds, on January 19th. The President, Mr T. L. Waring, B.A., F.C.A., was in the chair.

The toast of 'The Chartered Accountant Students' Society of Leeds' was proposed by Mr J. Dundas Hamilton, a member of the London Stock Exchange. In a witty speech he said he was very honoured and flattered to have been asked to come and propose the toast. In the correspondence with the secretary, he had received a copy of the profit and loss account of last year's dinner. This had showed the expenditure on the guests. 'I immediately accepted the invitation,' he declared, amid laughter.

Mr Hamilton went over the qualities required of a chartered accountant, and told the students they were very wise in their choice of profession. This was an age when qualifications mattered. Once qualified, there opened to them a wide field.

'When you survive those years of qualification you really have something rightly to be proud of' he added.

He urged those students going into industry to take the great opportunity of spreading sensible methods. 'From an investment point of view, you are the sole arbiters of facts and figures on which we base our judgments,' he declared. 'Boards of companies believe their accounts should give away as little as possible.'

Over the next decade, he hoped there would be seen a breakdown of this practice so that all relevant figures should be disclosed. 'In this way, we can see what part of the company is prospering and where 'the meat' lies.'

The Parker Report

The response was made by the President, Mr T. L. Waring, who said that during the past year the publication of the Parker Report was an event of supreme importance to chartered accountant students.

'Whether you agree with any or all of the report, it must be apparent to every student that you and your problems are very much in the minds of the Council of the Institute,' he said.

Mr Waring paid tribute to the Students' Committee and, in particular, to a special committee for the immense amount of time spent upon the report since its issue.

The Parker Committee's work had already been commented upon in the correspondence columns of *The Accountant*, and the views of the Council of the Institute would be known at a later date.

Mr Waring expressed regret, 'on a purely domestic matter', about the fact that social functions were invariably well attended, but such was not the case at lectures and meetings.

A reason advanced quite strongly was a certain diffidence amongst students to ask for time off to attend lectures, since they felt this put them under an obligation as though they were asking a favour.

He was amazed at this, and said there were no grounds for such an attitude of mind so long as the request was made within a reasonable time before the lecture. He added:

'We have, however, achieved our share of successes in the Institute examinations, and I would, in particular, like to congratulate the following members. In the Intermediate examination in November 1960: Mr H. Fox (seventh certificate of merit), Mr John Mordy, our secretary (seventeenth certificate of merit), and Mr E. Birdsall (twenty-first certificate of merit).'

The toast of 'The Guests' was proposed by Mr W. H. J. Mordy, honorary secretary of the Society.

Discussing the aims of a students' society, Mr Mordy said that lectures, visits and social activities helped to broaden the outlook of the potential accountant.

Breadth of Vision

It was this breadth of vision, the ability to understand the other man's point of view, that was becoming more and more important in commercial life. He went on:

'I appeal to those principals present not to allow their articled clerks to become so concerned with the passing of their examinations, important as this is, that they lose interest in all outside activities.

'A students' society exists to help solve this problem; to enable students to meet one another away from the atmosphere of the office; and to learn to deal not only with problems, but people.'

Mr Mordy looked forward ten to fifteen years when he hoped to see the introduction of a completely new system of training chartered accountants.

'I hope advantage will be taken of the increasing facilities for full-time education, to enable the student to spend two years learning the theoretical side of his profession before spending three years in his professional office,' he said.

As techniques advanced, there was becoming less and less work which a sixteen-year-old, straight from school, could understand.

Responding, the Lord Mayor of Leeds, Alderman P. A. Woodward, spoke of the vital part played in the economic structure of the country by the accountant.

A response to the toast was also made by Mr Geoffrey Hirst, T.D., M.P. for Shipley, who said that the Government should have pursued their pay pause policy with both greater courage and conviction and a greater measure of fairness.

The pause should have been 'right across the board,' he said. That was, not only in wages and salaries for all, but in dividends and rents also.

This should have been effected by legislation limited to a specific period, and would have given a widely acceptable degree of fairness as well. Mr Hirst added:

'By such means, we would now have gained some real benefit, whereas the Government's policy seems to me to have angered as many people as it could – to achieve as little as possible.

'Some pretty clever work will now be required through the economic development council, or otherwise, if the economic front is to be held against fresh inflationary pressures.'

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

In re Roberts' Settlement Trusts

In the High Court of Justice (Chancery Division)
February 26th, 1959 [not previously reported]
(Before MR JUSTICE VAISEY)

Income tax – Settlement – Discretionary trust – Settlor or wife a possible beneficiary – Variation to avoid income tax – Finance Act, 1958, section 22 – Variation of Trusts Act, 1958, section 1.

This was an application for the approval of the Court of an arrangement under section 1 of the Variation of Trusts Act, 1958, for the variation of a charitable trust under a settlement, by the addition of a clause excluding the settlor or his wife from taking any benefit under the settlement, so as to avoid the trust income being treated as the income of the settlor under section 22 of the Finance Act, 1958.

The charitable trust was made under a settlement, dated January 28th, 1958, and known as the 'Roberts Foundation', for the benefit of employees of the settlor or of four specified companies. The value of the trust fund was £20,000, and the gross annual income was £860.

The Court was asked to approve an arrangement whereby the settlor and his wife were to be excluded from the class of persons who might take any benefit under the settlement. The settlor and his wife were married in 1903, and were each now 75. For a short period of time the settlor had been under a service agreement with one of the companies, but he was no longer an employee of the company.

The reason for the application was that if the settlor or his wife (who might become an employee of one of the companies) could receive any benefit out of the trust fund, the income of the trust had, under section 22 of the Finance Act, 1958, to be treated as the income of the settlor for tax purposes. He could be recouped by the trustees of the charity, but that was not for the benefit of the charity. The settlor was prepared to give an undertaking as part of the arrangement that any future wife that he might take should be paid £100 a year.

The arrangement was supported by the trustees of the settlement. Any future wife of the settlor had to be looked after, but the trustees considered that the provision was in her interest, because she would get £100 a year certain for her life in lieu of a possible benefit.

The Attorney-General supported the arrangement on behalf of the charity, although, since charities were not within the class of persons to whom the Act applied, the Court was not asked to approve it on behalf of the charity.

Mr Justice Vaisey said that he approved the arrangement proposed, and agreed to by the trustees, subject to the undertaking on behalf of any future wife of the settlor.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CLUNIE & SCOTT, Chartered Accountants, of 7 Melville Crescent, Edinburgh 3, announce that as from January 1st, 1962, they have assumed as partners Mr R. F. HAIG, C.A., and Mr G. C. ELLIS, C.A., who have both been members of their staff for some years. The name of the firm will remain unchanged.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that they have opened an office at 18 Jonker Street, Malacca, Malaya.

MESSRS W. ELLES-HILL & Co, Chartered Accountants, of 50 Gresham Street, London EC2, announce with deep regret the death, on January 14th, 1962, of Mr WILLIAM DAVID SCOTT, M.A., F.C.A., who had been a partner in the firm for many years.

MESSRS FINNIE, ROSS, WELCH & Co, Chartered Accountants, of Bow Bells House, Bread Street, London EC4, announce with great regret that Mr FRANK CHARLES SQUIRE PARKINSON, C.A., one of the partners in the firm, died suddenly on January 12th, 1962.

MESSRS GOLDWYN BROS & Co, Chartered Accountants, of 88/90 Temple Chambers, Temple Avenue, London EC4, announce that Mr JOHN HARRY BERMON, A.C.A., has been admitted to the firm as a partner.

MESSRS HAMILTON, PRINGLE, FARRANT & Co, Chartered Accountants (South Africa), Southern Life Building, 90 Main Street, Johannesburg, announce that Mr STANLEY GRAHAM CHILVERS, C.A.(S.A.), who has been with the firm for several years, has been admitted as a partner from January 1st, 1962. The name and style of the firm remain unchanged.

MR W. J. KENNY, F.C.A., announces that he is now practising at Dashwood House, Old Broad Street, London EC2, in association with Messrs R. S. WALDRON, F.C.A., and R. G. CHANDLER, D.F.C., F.C.A., partners in GREENSLADE & Co, Chartered Accountants, who have acted as his consultants for some years.

MESSRS NEWTON & Co, Chartered Accountants, of 63 Temple Row, Birmingham 2, announce with deep regret the sudden death of one of their senior partners, Mr M. B. HANCOCK, F.C.A., who had been associated with the firm for over twenty years. The practice will be carried on by the remaining partners.

The partners of the London and Iberian firms of TURQUAND, YOUNGS & Co announce that Mr F. G. CLINTON, B.A., A.C.A., has been admitted to the partnership in Gibraltar. Mr CLINTON served his articles with the firm in London and has been manager in Gibraltar since 1957.

Appointments

Mr H. E. Hill, F.C.A., has been appointed chairman of Darnall Industries Ltd.

Mr F. E. Hay, D.F.C., F.C.A., has been appointed a director of Consolidated Main Reef Mines Estate Ltd and City Deep Ltd, and has become chairman of the former company.

Mr D. Horn, F.C.A., has been appointed a director of Argus Press Ltd.

Mr H. M. Jones, O.B.E., F.C.A., has been appointed a director of Clayton Dewandre Holdings Ltd.

Mr E. H. Walker, F.C.A., A.A.C.C.A., A.C.W.A. has been appointed group chief accountant of B.S.A. Tools Group Ltd.

Mr F. J. Hussey, M.A., B.COM., A.C.A., has been appointed secretary of Pharaoh Gane & Co Ltd and its United Kingdom subsidiaries.

Mr T. C. Kirk, A.C.A. and Mr H. F. Judd, A.A.C.C.A., have been appointed to the board of Semtex Ltd.

Mr Dennis W. Stone, A.C.A., has been appointed secretary of Wolsey Ltd.

OBITUARY

Richard Turner Golding

We have learned with regret of the death on January 12th in his ninetieth year of Mr Richard Turner Golding, who was a member of The Institute of Chartered Accountants in England and Wales for sixty-four years until his resignation in 1958.

Mr Golding was born in Litherland, Liverpool, on July 22nd, 1872, and served his articles with the firm of Banner Spencer & Co, at 4 Cook Street, Liverpool. He passed his Final examination in January 1894 and was admitted an associate of the Institute on February 7th, 1894, being elected to fellowship in 1920. In 1899 he commenced in practice at 41 North John Street, Liverpool, where he remained until his retirement at the end of 1955 when his practice was incorporated with that of Stead, Taylor & Stead.

P. D. LEAKE RESEARCH FELLOWSHIP

The P. D. Leake Trust, founded under the will of the late P. D. Leake, F.C.A., invites applicants for a P. D. Leake Research Fellowship. An announcement appears in the classified advertisement section on page VI of this issue.

The fellowship is for one year beginning in October 1962, and it may be held in one of the three universities – Birmingham, London or Oxford. Accountants who are members of United Kingdom accountancy bodies recognized for the purposes of United Kingdom company law are eligible.

The object of the fellowship is to provide university facilities for research in subjects with which the accountancy profession is directly concerned, within the charitable object of the Trust, namely, 'to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation'.

The emoluments are £2,000. The fellow will be required to do full-time research; opportunities will be afforded to him to take a part in teaching or seminar work.

Further particulars may be obtained from the Assistant Registrar (Commerce and Social Science), The University, Birmingham 15, to whom applications should be sent by April 30th, 1962.

COMPANY INVESTIGATION

Chartered Accountant Appointed Inspector

Mr E. R. Nicholson, F.C.A., partner in the firm of Peat, Marwick, Mitchell & Co, is one of two inspectors appointed by the Board of Trade under section 165 (*b*) of the Companies Act, to investigate the affairs of Johore Para Rubber Co Ltd and F.M.S. Rubber Planters Ltd. Quotations for the two companies were suspended by the Stock Exchange in 1959.

CALCULATION OF APPRENTICES' EARNINGS

Regulations published by the Minister of Pensions and National Insurance last week[1] prescribe the rules by which the earnings of apprentices (which term includes articled clerks) are to be calculated for family allowances purposes when the provisions of the Family Allowances and National Insurance Act as to apprentices qualifying for family allowances come into effect on April 3rd. The regulations provide that a number of expenses may then be deducted from gross earnings for the purpose of the earnings test for eligibility for family allowances. They include the cost of travelling to and from work, the employee's share of the national insurance contribution, the cost of books, instruments, tools and equipment, protective clothing and trade union subscriptions or other dues, which the apprentice incurs for the purpose of his full-time training.

Where the apprentice has to live away from home, the extra cost of his board and lodging, and reasonable travelling expenses for visits home will also be taken into consideration.

Other regulations[2] will safeguard the position of claimants entitled to national insurance benefit for an apprentice when the new family allowance provision comes into force, and whose national insurance benefit would otherwise be affected by the change in the rules. These transitional provisions secure that the benefit of such claimants will not be reduced on account of the change in the apprenticeship rules so long as their existing title otherwise continues.

---

[1] The Family Allowances (Qualifications) Amendment Regulations, 1962, S.I. 1962, No. 25. H.M.S.O., price 4*d*.

[2] The National Insurance and Industrial Injuries (Transitional Provisions) Regulations, 1962, S.I. 1962, No. 26. H.M.S.O., price 3*d*.

BUILDING COST INFORMATION SERVICE

The Cost Research Panel of The Royal Institution of Chartered Surveyors is to establish a building cost information service. A pilot scheme has been launched and is confined at this stage to chartered quantity surveyors who are principals in private practice or the public service. The Cost Research Panel considers that there are special problems in the collection of information on building costs as distinct from the supply of other professional data.

The service is a two-way exchange of information on building costs between chartered quantity surveyors: it is intended that members should provide data from their own resources and in return receive the information made available by all. It is proposed that there will be a regular distribution of information to subscribing members, thus enabling them to build up a manual of cost data. The annual subscription will be ten guineas, to cover the operating costs of the service.

The terms of reference of the pilot scheme are:

(i) to facilitate the exchange of cost information between members;
(ii) to issue cost data to meet immediate needs;
(iii) to investigate the problems of presenting cost information to meet the long-term requirements of members;
(iv) to initiate and continue discussion with bodies affected by the release of cost data; and
(v) to report on the problem of co-ordinating and disseminating cost information.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Conference on Information for Management

A residential conference on 'Information for management' and a 'management decisions game' is to be held from April 12th–14th, at New College, Oxford, by the London and District Society of Chartered Accountants. The three-day conference will be under the chairmanship of Mr Brian A. Maynard, M.A., F.C.A., A.C.W.A., and will be opened by the Vice-President of the Institute, Mr P. F. Carpenter, F.C.A.

Two papers will be presented, the subjects and speakers being: 'Improving management accounting in the small business', by Mr N. R. Bellwood, F.C.A., British Transport Commission, and 'Long-term planning', by Professor A. Goudeket, chief internal auditor, Philips Group, Holland. Group discussions will follow each paper, while on Friday afternoon, April 13th, a plenary session in two parts will be held covering both papers.

A particularly interesting feature of the course will be the management decisions game which will make use of an electronic computer. Friday evening will be devoted to a briefing session and the first round of decisions for the game. The whole of Saturday will be spent continuing the game with the use of IBM 7090 and 1401 computer systems at the IBM Data Centre, Newman Street, London. Coaches will take members from New College to Newman Street.

We are asked by the Secretary of the Society, Mr J. W. G. Cocke, T.D., M.A., F.C.A., of 2 Norfolk Street, London WC2, to say that any interested member who has not yet applied to attend the course, should do so without delay.

REVENUE PAPER

Hilary Sittings, 1962

In addition to those noted in our issue of January 20th, the following case has been set down for hearing in the House of Lords:

C.I.R. *v.* Littlewoods Mail Order Stores Ltd.

SEVENTY-FIVE YEARS AGO

FROM The Accountant OF JANUARY 22ND, 1887

A Weekly Note

THE Syllabus of the Manchester Accountants' Students' Society for the coming session, a copy of which appeared in our last issue, contains a fixture indicating a slight departure from the range of matters which have usually formed the subject of papers and discussions of that and similar bodies. On the 7th prox. Mr. C. R. Trevor is to give "Some Notes on Commercial Statistics, with special reference to the Cotton Trade." It appears to us, and we have in the past freely and frequently expressed the opinion, that the examination and study of statistics is a branch of knowledge which the daily work of accountants should eminently fit them to pursue with usefulness and success. It is, for instance, probable that any useful and practical amendment of the Companies' Acts would be immensely facilitated were it possible to arrive more closely than has yet been found practicable at statistical *data* of a kind which on a recent occasion was fully discussed in these columns. Proper statistics would throw light on many things which are now debated as matters of opinion, which, unfortunately, it seems, will never become other than matters of opinion, but which it should be possible to decide almost as matters of fact. In Manchester, as in London, there are numbers of accountants who are members of the Statistical Society. We trust that by their presence, and the expression of their views, they will help to make this meeting a profitable one. The ordinary members of the Society, it is hoped, will also endeavour to attend a lecture which, it may be safely predicted, will not fail to be useful and interesting, and to a report of which we shall ourselves look forward with interest.

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THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Results of Examinations held in November 1961

The places and prizes in the Final examination have been awarded on the combined results of both parts where the concluding part has been passed in either May 1961 or November 1961.

FINAL EXAMINATION

First Place, 'Arthur Collins Memorial' Gold Medal and the Institute Prize of £10 10s
Ball, Dennis Geoffrey, Comptroller's Department, London C.C.
(Passed Part B in May 1961 and Part A at a previous examination)

Second Place and Prize of £5 5s (bracketed equal)
Fielding, Frank, Borough Treasurer's Department, Accrington (now Borough Treasurer's Department, Macclesfield)
(Passed Part B in May 1961 and Part A at a previous examination)
Pearson, Derek, District Audit Department, Ministry of Housing and Local Government
(Passed Part B in May 1961 and Part A at a previous examination)

Fourth Place and Prize of £2 2s
Radley, James, Borough Treasurer's Department, Rotherham
(Passed Part B in November 1961 and Part A at a previous examination)

Awarded the 'Electricity' Prize of £6 6s for the highest marks of candidates from the Electricity Supply Industry
Barnes, Frank Whitaker, Chief Accountant's Department, South Eastern Electricity Board
(Passed Part B in May 1961 and Part A at a previous examination)

PART A

Awarded the 'John Elliott Memorial' Prize of £10 10s for Advanced Accountancy
Noble, Michael James, Treasurer's Department, Bedworth U.D.C.

Awarded the 'Philip Howes Memorial' Prize of Books to the value of £10 10s for Local Government Finance
Latter, Leslie William, Comptroller's Department, London C.C.
(Passed Part A in May 1961)

Awarded the 'H. R. Ralph' Prize of £10 10s for Auditing
Rippington, Trevor, Deputy Finance Officer, Swindon and District H.M.C.
(Passed Part A in May 1961)

Baker, K., Southgate B.
Bate, B. E., Plymouth C.B.
Bazley, P. E., Torquay B.
Beaumont, D. L., Essex C.C.
Bell, J., Lancashire C.C.
Bellamy, J. W., Mansfield B.
Benton, C. J., Richmond R.B.
Bond, M. J., East Grinstead U.D.C.
Briercliffe, R. B., Rochdale C.B.
Brierley, A. D., Rochdale C.B.
*Bunting, C. G., Derbyshire C.C.

Candlin, P. A., Salford C.B.
Chambers, H. G., Norwich C.B.
Charles, B. H., Newport (Mon.) C.B.
Clark, D. L., Reigate B.
Clements, R. E., Worthing B.
Cotton, D. A., Warrington C.B.
*Craddock, G. A., Derbyshire.
Crawford, I. McG., Kettering B.
Crutchley, G. G., Ministry of Local Government, Northern Rhodesia.

Davies, W. J., Swansea C.B.
Davis, R. W. S., London C.C.

*Ellam, D., Shipley U.D.C.
Ellison, R., Ministry of Housing and Local Government.
Evans, D. T., Swansea C.B.

Farr, G. H., Bedford B.
Ferguson, H., South of Scotland Electricity Board (Lanarkshire Area).
Fothergill, F., Rotherham C.B.
*French, R. D. C., Weymouth B.

Goodman, E. M., Staffordshire C.C.
Green, B., Walsall C.B.
Greenwood, P. W., Lincolnshire (Lindsey) C.C.

*Hallows, D. A., Slough B.
Hawkes, A. C. H., Gloucestershire C.C.
Henderson, D., Ministry of Housing and Local Government.
Higham, G. E., Eastbourne C.B.
Hollamby, L. F., Newport (Mon.) C.B.
Holtom, P. J., Worcester C.B.
Horne, R. A., Nottingham C.B.
Hudson, R., Ministry of Housing and Local Government.
*Hustwick, I., Aberdeen.

*James, W. E., Bridgwater B.
Jepsom, C. J., Thames Conservancy Board.
Johnson, P., Macclesfield B.
Jones, D. E., Ministry of Housing and Local Government.

Keating, R., Ministry of Housing and Local Government.
Kemp, D., Bradford B.
Kinnear, A. K., Glenrothes Development Corporation.

Lambert, M. L., Sheffield C.B.
Lawson, E., Great Yarmouth C.B.
Leach, W. E. J., Preston C.B.
Lewis, J. H., Staines U.D.C.
Long, D. M., Kidderminster B.
Lupton, T. J. P., Hailsham R.D.C.

McCulloch, P., Glasgow.
Maughan, J., South East Derbyshire R.D.C.
Mercer, S. A., Reading C.B.
Middleton, M. B., New Forest R.D.C.
*Morton, R., Windermere U.D.C.

Nesbitt, R. W., Belfast.
*Noble, M. J., Bedworth U.D.C.

*Perrett, W. J. G. T., Worthing R.D.C.
Perry, A. A., Southall B.
Pratley, A. G., Ndola (Northern Rhodesia).

Ratcliff, R. S., Brentford and Chiswick B.
Rawlins, C. C., Chelmsford B.
*Read, C. L., Sussex (East) C.C.
Riley, D., Chesterfield R.D.C.
Rogers, J. M., Wanstead & Woodford B.
Rose, D. H. J., West Ham C.B.
*Rudd, S., Taunton B.
Russell, D., Norwich C.B.

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Singer, F. J., Glamorgan C.C.
Smith, A. J., Nuneaton B.
Smith, G. B., Hemel Hempstead B.
*Smith, P. J., Chester C.B.
Stevens, J. H., Cardiff C.B.

Taylor, J. McD., Glasgow.
Till, J. R., Worthing B.

Townend, J. W., York C.B.
Trafford, P. R., Stockport C.B.
Tubb, W., Berkshire C.C.
Tunley, J. R., Birmingham C.B.

Waddington, M., Barnsley C.B.
Walsh, A. G., Hertfordshire C.C.
Walsh, J. P., Monmouthshire C.C.
Watson, J. R., Bedfordshire C.C.
Weatherley, L. A., Crawley U.D.C.

Webber, R. F. I., London C.C.
*Weldon, R. V., Sheffield C.B.
Whitehead, E., Bebington C.B.
*Williams, S. C., Somerset C.C.
Wilson, H., Grangemouth.
Wood, R. J., Staffordshire C.C.
Woodend, M. G., Cheshunt U.D.C.
Wright, A. T., Wellingborough U.D.C.

* Passed Part B (or Part 1) at a previous examination.

PART B

Awarded the President's Prize of £5 5s for the highest marks in Part B
Ball, Dennis Geoffrey, Comptroller's Department, London C.C.
(Passed Part B in May 1961)

Awarded the 'G. A. Johnston (Dundee)' Prize of £3 for Statistics
Nutland, Keith Albert Charles, Borough Treasurer's Department, Worthing

*Atkinson, R., West Bromwich C.B.
*Ayress, D. G., Kingswood U.D.C.

*Baggott, J. K., Gloucestershire C.C.
*Ballad, H. J., Oxfordshire C.C.
*Barlow, J. R., Heanor U.D.C.
*Barrett, D. G., Manchester C.B.
*Batty, M. C., Dewsbury C.B.
*Beavan, M. W., Birmingham C.B.
*Beckett, P. J., Maidstone C.B.
Belbin, K., Southend-on-Sea C.B.
*Bennett, B., Cardiff C.B.
*Bray, G. F., Cardiff C.B.
*Broome, B. R., Bristol C. B.
*Butt, B. A., Poole C.B.

Charleson, J. H., Durham C.B.
Cooke, C. F., Durham C.B.
*Cox, J. W., Hertfordshire C.C.
*Cranston, D. G., Newcastle upon Tyne C.B.
*Crofts, I. C., Mansfield B.

*Dalby, A., Rochdale C.B.
*Davies, I., Carmarthenshire C.C.
*Davis, M. N., West Bromwich C.B.
*Dishington, J., Lanarkshire.

*Ede, P. M., Hendon B.
*Edwards, E., Holyhead U.D.C.
*Edwardson, A. A., Chesterfield B.
*Ellis, F. W., Ministry of Housing and Local Government.
*Evans, L. V., Coventry C.B.

*Farmer, P., West Hartlepool C.B.
*Fisher, S., Stratford-upon-Avon B.
*Foulds, B., Leigh B.
*Fuller, J. M., Berkshire C.C.

*Garman, A. R. E., St Albans B.
*Gau, J. R., Saffron Walden R.D.C.
*Gibbons, A. J., Ministry of Housing and Local Government.
*Greenwood, R. J., Rochdale C.B.
*Griffin, J., Stockton-on-Tees B.

*Harper, D. C., Leicester C B.
*Haywood, A., Reigate B.
*Head, C. L., Bedford B.
*Hodgins, W. L., South of Scotland Electricity Board.
*Hodgson, K. B., Grimsby B.
*Holloway, P. R., Slough B.
*Horton, P. B., Wallasey C.B.
Howden, D. D., Glasgow.

*Jobling, B. S., Pontypool U.D.C.
Johnson, R. A., Merthyr Tydfil C.B.

*Kelk, E., Sheffield C.B.
*Kerle, R. E., Louth B.
*Knapper, E., Stoke-on-Trent C.B.
*Knott, C. H., Southall B.

*Ladeinde, O. A., Lagos.
*Little, D. C., Ministry of Local Government and Social Welfare, Northern Rhodesia.
Lloyd, F. A., Lincolnshire (Kesteven) C.C.

*Meredith, W. G., Thames Conservancy Board.
Middleton, G. E., Westmorland C.C.
*Mockford, J., London C.C
*Moores, B. W., Ministry of Housing and Local Government.

*Neighbour, J. H., Middlesex C.C.
*Nutland, K. A. C., Worthing B.

*Odukoya, E. A., Lagos.

Pallister, G., Middlesbrough C.B.
*Prescott, E., Manchester C.B.
*Price, G. A., Southend-on-Sea C.B.

*Radley, J., Rotherham C.B.
*Ramsey, A. J., Walthamstow B.
*Rozzell, N. R., Staffordshire C.C.
*Ruff, R. F., Bedfordshire C.C.

Samanon, R. M., Devizes R.D.C.
*Scotford, J. E., Reading C.B.
*Shapton, L. F., Swansea C.B.
*Sharples, M., Rochdale C.B.
*Smith, R. G., Essex C.C.
*Spratley, M. J., Salop C.C.
*Squires, R., Worthing B.
*Stafford, M. B., Derbyshire C.C.
*Stanton, P., Worcester B.
*Statham, J., Halifax C.B.
*Stobbs, T., Durham C.C.
Stone, G. R. T., Wolverhampton C.B.
*Sutton, K., Hunstanton U.D.C.

*Taylor, J. D., Nottinghamshire C.C.
*Timbrell, H. C., Gloucester C.B.
*Tink, J. T., Surrey C.C.
*Tomlinson, H., Nelson B.
Truelove, D., Rochdale C.B.

*Ward, M. P., Essex C.C.
Williams, A. L., Manchester C.B.
*Wood, A. J., Bexhill B.
*Wood, J. W., Nottinghamshire C.C.
*Woodeson, A. R., Worthing B.
*Worden, R. C., Lancashire C.C.
*Worrall, D. A., Sheffield C.B.

* Passed Part A at a previous examination.

Summary of Results

	Intermediate		*Final Part A*		*Final Part B*		*Total*	
	No.	*per cent*	*No.*	*Per cent*	*No.*	*Per cent*	*No.*	*Per cent*
Passed	98	36	98	41	93	47	289	41
Failed	171	64	140	59	106	53	417	59
	269		238		199		706	

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THE ACCOUNTANT

ESTABLISHED 1874

FEBRUARY 3RD, 1962 VOL. CXLVI. NO. 4546

CONTENTS

	Page
Inland Revenue Report	113
Hospital Consultants' Tax Assessments	115
On Compiling Company Reports	116
Validation of an Imperfect Trust by *Spencer G. Maurice*	117
The Accounting World	120
Financial Control of Fixed Assets by *R. W. F. Rice, F.C.A.*	122
Weekly Notes Company Directors and the Budget – Assent to What? – Management Play – New European Leasing Service – Hire-purchase Term Unenforceable – Improved Outlook for Exports – Unemployment at 2 Per Cent – Using Market Research – Inspector's Report on Building Society – Television of the Future.	126
This is My Life . . . by *An Industrious Accountant*	129
Finance and Commerce	130
Inland Revenue Extra-statutory Concessions	134
Correspondence The Training of Accountants – Decimal Currency – Dickensian Accountants	135
Electronics in the Office Bank Mechanization	136
Notes and Notices	138

Inland Revenue Report

DISCUSSING the report of the Radcliffe Committee in a leading article in our issue of August 29th, 1959, we said that the very strong plea for more information and statistics made by that report was to be welcomed and might well be the major positive contribution that the Radcliffe Committee had made. One body which has responded to that plea is the Board of Inland Revenue whose 104th annual report was published last week (Cmnd.1598, H.M.S.O., price 10*s*). Table 126 in Appendix V to the report is a completely new departure. It sets out the estimated wealth of individuals in Great Britain in 1960, and covers over eleven million males and over eight million females. One of the remarkable facts which this table shows is that a greater value of British quoted Ordinary shares are owned by women than by men: 627,000 men owned £3,780 million worth; 617,000 women owned £3,812 million worth. The grand total of net wealth, however, shows a somewhat different picture: the eleven million men owned assets worth £29,979 million, while the eight million women owned assets worth £21,636 million.

The Board is very modest about this table, pointing out that it is subject to wide margins of error. It is arrived at by sampling from the estates on which a first payment of estate duty was made during 1960, and figures for the living are arrived at by using the mortality rates of the time. The figures begin with some 275,000 deaths out of 600,000, the omissions being those where no property was left or no grant of representation was necessary. The report points out that errors can arise from using deaths as the basis of sampling the population. The dying, for instance, are less likely to have need for cash than others. Moreover, the marked seasonal pattern of deaths gives undue weight to the prices of stock exchange securities ruling in the winter months.

Some assets are omitted altogether because they are exempt from estate duty: these include immovable property abroad, settled property on the death of a surviving spouse, purchased annuities ceasing on the death, and the like. On the other hand, life policies on the deceased are, of course, taken at their full value on his death, although as long as the policy has not matured its market value is much less. This table represents a welcome departure by the Inland Revenue and will certainly be of value in many fields.

When reviewing the Inland Revenue's 103rd report on February 4th, 1961, we criticized the retention of £2,000 as the normal exemption limit in respect of surtax, in the face of the progressive deterioration in the value of money. We pointed out that, by

March 31st, 1960, assessments had been made for 1958–59 on no less than 346,642 surtax payers. The new report shows that by June 30th, 1961, this figure had increased to 373,799. By that date 378,669 surtax assessments had already been made for 1959–60. Of this number, 155,407 taxpayers had an income of £3,000 or less, which considering the present purchasing power of the pound sterling, is hardly riches. The decision made last April in effect to raise the exemption limit where there is earned income was therefore very timely. Of course, the surtax revenue can be expected to go on increasing until the collection of the 1961–62 surtax begins. At that point, particularly in view of the fact that earned income assessed to surtax greatly exceeds investment income, one can look to a sharp decline in surtax collection, unless there is further inflation or an industrial boom.

Not less interesting than the statistics of wealth given above are the statistics as to high incomes. Among the surtax assessments made for the year 1959–60 (up to June 30th, 1961), there were sixty on persons whose assessed income exceeded £100,000. Another fifty-seven individuals had incomes between £75,000 and £100,000. For the tax year 1958–59 the corresponding figures were sixty-six and thirty-four. The reduction in the standard rate of tax from 8*s* 6*d* to 7*s* 9*d* in the year 1959–60 without any corresponding increase in surtax rates, lowered the top rate from 18*s* 6*d* to 17*s* 9*d* and must therefore have produced a very substantial increase in net incomes for persons in these very high ranges. On the other hand, persons having incomes of this order can command so much in the way of avoidance schemes, if only by changing their country of residence, that to some extent the income tax and surtax become voluntary taxes. Nevertheless, the fact remains that from the sixty people in the 'over £100,000' group, no less than £5·2 million was collected in surtax.

The income tax statistics show that for 1960–61 the number of persons actually charged to income tax increased to 19,200,000 from 18,500,000 in the previous year. This follows an increase of half a million in each of the two previous years and we feel that the time has come to raise the exemption limits still further, so that small amounts of tax do not have to be computed and collected from a very large number of people. The Inland Revenue have already been criticized for unremunerative administration, particularly in the field of Schedule A. From the small amounts of tax which have to be assessed and collected from large numbers, one must deduct the time and trouble caused in the issue and completion of income tax return forms. It would be far better, if it is necessary, to make up the modest amount of revenue lost, by some slight increases in indirect taxation.

Although the increase in the number of successful criminal prosecutions for taxation offences has been the subject of comment, the total figures are still extremely low. The prosecutions for false accounts and returns of income actually fell in 1960–61 from twenty-one to fourteen. Only fourteen prosecutions as against the vast number of returns and accounts which are submitted to tax offices indicate a very satisfactory state of affairs. However, the fact that all the prosecutions for these offences succeeded, indicates that criminal proceedings are not taken unless they are practically certain to succeed. The doubling of the prosecutions for false claims for personal allowances (sixty against thirty-one in the previous year) is perhaps purely fortuitous. The fact that sixty is the high record over the last ten years, may have some connection with the fact that personal allowances now obtain for surtax as well as income tax.

As last year, the report contains a ten-year table of income from abroad, accompanied by notes of explanation. As the report says, in view of the interest in the country's balance of payments problems, income from abroad is of particular significance. The figures for distributions by overseas trade corporations show a very marked increase – from £22·5 million to £54·3 million.

The amount of post-war credits still outstanding fell in the year from £367 million to £343 million. The total number of persons who shared the £24 million payment was 460,178.

The rise in the number of companies paying profits tax was resumed in the case of accounting periods ended in the year 1959–60, the total being 68,500. The total chargeable profit assessed for those accounting periods was £2,940 million, as against £2,715 million in the previous year. The net tax collected, after double tax relief, was £267 million. In the previous year, when the old two-

tier system was still in operation, the net tax was £239 million. The Budget estimate for 1961–62 is no less than £325 million, thanks to the two large increases in the flat rate in 1960 and 1961.

In the estate duty statistics included in the report, a number of changes designed to give more information about the composition of estates of deceased persons have been made. Information is now given about estates of net capital value of £3,000 and below, on which, of course, no duty is normally payable. The analysis of property has been made more detailed, and a new table extends the analysis by showing its distribution between males and females and within age groups. Duty was paid in the year on two estates of over £2 million each, while another seven estates exceeded £1 million; one of them being in Scotland. Needless to say, these nine estates represented a very small proportion indeed of the total number of estates of persons who died during the years – no more than ·01 per cent. Of the 281,300 estates, 205,381 were under £3,000; another 52,755 were under £10,000, which is not a very large sum, considering the fall in the purchasing power of the £ sterling.

Stamp duties on share transfers showed a marked decline in 1960–61; from £55·9 million to £45·7 million. The only other striking change was an increase from £13·1 million to £16 million in the stamp duties on conveyances of land; this may reflect the rapid rise in house property values. The yield of the duties on non-life insurance policies declined further this year, mainly owing to the changes in rates.

There have been some changes in the published extra-statutory concessions of the Inland Revenue details of which are given on another page.

Hospital Consultants' Tax Assessments

LAST July the House of Lords decided in *Mitchell v. Ross* (40 A.T.C. 199; *The Accountant*, July 15th, 1961, page 65) that part-time consultants in hospitals were assessable under Schedule E on their emoluments, and that expenses attributable to such an appointment were deductible for tax purposes only if they complied with Schedule E rules. This decision was given on certain test cases and followed a long period of dispute and litigation, during which there has been some accumulation of loose ends. An agreed statement has now been published in the *British Medical Journal Supplement* dated January 27th, following discussions between the British Medical Association and the Inland Revenue.

The decision does not cover fees for lecturing (other than lecturing in teaching hospitals under the ordinary terms of the appointment) or fees for outside domiciliary consultations undertaken for a hospital board by which the doctor is not employed. These fees will continue to be assessable along with the doctor's other earnings under Schedule D.

Subject to certain special arrangements, the Inland Revenue have agreed not to apply the decision retrospectively where the hospital emoluments have hitherto been included only in Schedule D assessments; the change to Schedule E will be made for the tax year 1962–63, and P.A.Y.E. deductions will start in April 1962 accordingly. The Schedule D assessments for 1962–63 et seq. will be exclusive of the fees assessed under Schedule E. Equally the decision as to the deductibility of expenses will be applied as from 1962–63.

The special arrangements referred to above are made necessary to ensure uniform tax treatment of arrears of pay resulting from the recommendations of the Pilkington Commission. If a part-time hospital doctor has been taxed under Schedule D on a cash basis and does not elect to spread back the arrears, then separate Schedule E assessments will be made on those arrears for the years to which they relate. If these arrears have already been included in the 1961–62 Schedule D assessment, this assessment will be adjusted in order to avoid taxing the same income twice. This will presumably be done notwithstanding the embargo imposed (under £50 penalty) by section 50 of the Income Tax Act, 1952, on altering assessments otherwise than on appeal. The Inspector of Taxes will send a written explanation to each person affected in this way.

On Compiling Company Reports

ONE of the requirements of attractive financial accounts is that they should be at the same time comprehensive and concise. However complex the company, the year's transactions have to be neatly classified in a series of near-standardized statements occupying only a few pages. These simplified annals must give the large institutional investor all the information he requires in a language readily understandable by the small private investor. It is a difficult task and recourse is often made to diagrams and illustrations in which rows of little men, bags of cash and coins and segmented circles serve to bring home the message to the uninitiated with no esoteric knowledge of high finance. The chairman's statement, too, has become increasingly a medium for giving supplementary facts and forecasts which cannot suitably be incorporated within the framework of the accounts themselves.

The technique of presentation of reports and accounts has developed in recent years to the point where there is much competition between companies to serve up information in a manner new and arresting but without loss of dignity. We like to think that the annual awards initiated by this journal have contributed towards this healthy trend as have, also, enlightened legislation and the activities of professional and kindred bodies. A comparative new-comer to the ranks of the latter is The Society of Investment Analysts, formed in 1955 to provide coherence to the individual efforts being made to raise the standard of investment analysis in the United Kingdom. To coincide with the first European Congress of Financial Analysts, held in France last month, this body produced a booklet on the subject of company reports and their contents.[1]

The Society strongly advocates that greater use should be made of the chairman's address as an explanatory guide to 'results, policy and prospects' and suggests that it should be given pride of place in circulated reports and accounts. Arguments against prior circulation of the chairman's comments are that quick changes in the political or economic climate may render them out of date before the general meeting takes place and that, if shareholders already know in advance what the chairman is going to say, the meeting becomes more than ever a formality. The Society counters these objections by pointing out that the chairman may modify or supplement his printed address at the meeting.

Dealing with the presentation of the accounts themselves, the Society would like to see included (*a*) the trading account, so that the company's position might be more accurately appraised; (*b*) the profit and loss account of a holding company which trades itself; and (*c*) summarized accounts of any important company a substantial proportion of whose shares are held as a trade investment. A number of companies do give some or all of this information although there is at present no statutory compulsion to do so.

As regards the profit and loss account, the Society echoes the Cohen Committee's view that this section of a company's accounts is at least as important as the balance sheet since the trend of profits best indicates its prosperity and the value of the assets depends largely on its continuance as a going concern. Among the recommendations it makes are that full depreciation on a replacement basis should be charged against profits (the 'historical' proportion and any appropriate 'extra' provision being itemized separately) and that details of the composition of the tax charge should be given, the material effect of the postponement of liability due to initial allowances being adequately reflected therein.

The Society's comments on the balance sheet are designed to bring into sharper relief the liquid position of the company and the shareholders' equity. It plumps boldly for the inclusion of what is commonly known as 'future income tax liability' in the 'capital of the business', a policy which is by no means unanimously adopted in practice and one which companies with two-sided balance sheets often avoid by describing the item as a deferred liability and placing it between the capital and reserves (not totalled) and the current liabilities.

[1] *Compiling and Presenting Company Reports.* Prepared by The Society of Investment Analysts in co-operation with Daniel Greenaway & Sons Ltd.

Validation of an Imperfect Trust

by SPENCER G. MAURICE

A trust deed or other instrument may declare the objects for which the property is to be held or applied in such terms that it is open to the trustees to use the property either exclusively for charitable purposes, or otherwise. In such a case the trusts will normally fail altogether if they suffer from some mischief, such as uncertainty or perpetuity, fatal to non-charitable (though not to charitable) trusts. The object of the Charitable Trusts (Validation) Act, 1954, is to validate certain instruments of this kind taking effect before December 16th, 1952, and the effect of the validating provisions is to strike out of an instrument within the Act the non-charitable purposes which are declared thereby. The administration of the Act has proved difficult and the cases show that the judges tend to place a fairly wide interpretation on its provisions. Sometimes, as in the case of Re Mead's Trust Deed, discussed below, the result is a radical change in the effect of the provisions in the trust instrument. The result may be significant from the point of view of rating relief, when, as in that case, the trust property comprises land.

AN interesting sequel to the case of *Isaacs and Others v. Market Bosworth Rural District Council* ([1960] 1 All E.R. 433) is *Re Mead's Trust Deed, Briginshaw and Others v. National Society of Operative Printers and Assistants and Another* ([1961] 2 All E.R. 836). The earlier case was a successful appeal by the rating authority from a decision by the justices that an organization conducted for the benefit of the members of a trade union was entitled to rating relief under section 8 (1) (*a*) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955. Section 29 (2) and Part I of the Fifth Schedule of the Rating and Valuation Act, 1961, repeal section 8 of the 1955 Act as from the coming into force of the first valuation lists issued under the 1961 Act, and sections 11 and 12 of that Act substitute for the relief given by section 8 new provisions for the reduction and remission of rates payable by charitable and certain other organizations. The new system of relief is founded largely on the recommendations contained in the report of the Committee on the Rating of Charities and Kindred Bodies (the Pritchard Committee) (Cmnd. 831).

Purposes of the Trust

The trust deed, dated September 27th, 1920, which gave rise to both cases by clause 1 declared that the trustees were to stand possessed of certain land which had been conveyed to them as a site for a memorial home to perpetuate the memory of those members of the National Society of Operative Printers and Assistants who had lost their lives in the First World War, and clause 2 elaborated on the purposes of the trust by expressing the intention that the home should ultimately be (i) a sanatorium for consumptive patients who were members of the society, (ii) a convalescent home for members of the society recovering from illness of any kind, and (iii) a home for aged members of the society who were no longer able to support themselves by working at their trade and for the wives of such members. The main objects of the society were those concerned with conditions of employment and industrial disputes, but other objects included the provision of superannuation for old members and the provision and maintenance of a convalescent home. The trusteeship provisions of the 1920 deed were altered by a supplemental deed dated December 6th, 1948, and in the result the management of the trust property by the trustees was under, and subject to, the direction and control of the executive council of the society.

The trustees consisted of four officers of the society, the president, the general secretary, a trustee chosen by the members of the society by ballot, and a trustee being a member of the society appointed by resolution of the executive council of the society. Taking into account the provisions of the two trust deeds, the constitution of the trustees, the rules of the society and evidence of financial support by the society of the homes which had been established – a convalescent home and a home for aged retired members of the society and their wives – the Divisional Court of the Queen's Bench Division found that the trust property was occupied for the purposes of the society, and accordingly that a case for rating relief had not been established.

Nature of the Trusts

As the Divisional Court took the view that the land was occupied for the purposes of the society, and it could not be suggested that the objects of the society were charitable or otherwise concerned with the advancement of social welfare, the claim for relief failed *in limine*, and the Court was not called upon to decide whether, if the land could have been said to be occupied for the purposes of the trust, as distinct from the purposes of the society, those purposes would have qualified for relief. In *Re Mead's Trust Deed*, however, the trustees of the trust deed by originating summons applied to the Court for the determination of the question whether or not the trusts were charitable.

Cross, J., said that a sanatorium for consumptive patients, a convalescent home and a home for aged persons who were unable to support themselves were clearly charitable objects. On the other hand, the fact that purposes are basically charitable is not necessarily enough; thus it is well settled that a trust for the benefit of persons employed by a particular company is not (save in the exceptional case of a trust for the relief of poverty) charitable: see, for example, *Oppenheim v. Tobacco Securities Trust Co Ltd* ([1951] 1 All E.R. 31), a decision of the House of Lords. What is necessary to satisfy the requisite of public benefit which (save in the poverty cases) is the essential of a charitable trust, is that the beneficiaries should constitute a section of the public. Cross, J., said that he always found very difficult the question whether or not the common characteristic which was shared by a number of persons was or was not such as to make them a section of the public, and not a fluctuating body of private individuals, adding that there appeared to be no principle by reference to which it could be answered.

It is the case that a trust for the benefit of all the persons employed in a certain industry in a certain place is good if its objects are charitable, although a trust for the benefit of the employees of a named company engaging in the industry in question and being the only employer so engaged in that place is not; in spite of the fact that in such a case the membership of each class of beneficiaries is in fact precisely the same. The presence or absence of charitable status may thus turn entirely on the way in which a deed is drawn. On this basis, a trust for the members of the printing industry may be charitable, but his lordship pointed out that a man may be engaged in the printing industry without being a member of the society which constituted the *nexus* of employment in the case before him, and in this respect membership of the society resembled employment by some large company which employed most but not all of the persons engaged in the industry in question. His lordship found that the considerations which led Lord Simonds in the *Oppenheim* case to hold that the employees of a company, however numerous, could never form a section of the public for the purpose of the law of charity applied equally to a trade union. The learned judge said that he would have been of the same opinion even if all the funds had been provided by non-members; e.g. by employers in the industry. In fact, however, a large part of the funds came from the society and its members: the element of self-help loomed large, and this, as Lord Greene, M.R., had pointed out in *Re Hobourn Aero Components Ltd's Air Raid Distress Fund, Ryan and Others v. Forrest and Others* ([1946] 1 All E.R. 501), was a factor to be borne in mind in cases of this kind.

The Poverty Element

Of the three objects to which the trust deed referred, one, the home for aged members of the society who were no longer able to support themselves by working at their trade and for the wives of such members, had this characteristic, not shared by the sanatorium and the convalescent home, that it contained an element of poverty. In this connection it is to be observed that in the law of charity the meaning of 'poor' is more or less relative, and that 'poverty' does not necessarily mean destitution: see, for example, *In re Clarke, Bracey v. Royal National Lifeboat Institution* ([1923] 2 Ch. 407). References to old age and widowhood are commonly taken to import poverty in the legal sense and, at all events, Cross, J., was satisfied that persons who were admitted to the home for aged members of the society must necessarily be poor.

Trusts for the relief of poverty have long occupied a peculiar place in the law of charity, since they alone can qualify as charitable without the need for public benefit in the ordinary sense of that term. Thus trusts for the benefit of poor relations of the settlor have for more than two centuries at least enjoyed the privilege of charitable status. By analogy the principle of the poor relations cases has been extended to include trusts for necessitous employees of a company and their dependants, the earliest reported case apparently being *Gibson and Another v. South American Stores Ltd (Gath and Chaves)* ([1949]

2 All E.R. 18; [1949] 2 All E.R. 985 (C.A.)). Harman, J. (as he then was), at first instance expressed the view that a public element was always necessary to make a trust legally charitable, and that the explanation of the poverty cases was that a much narrower object might in them be considered to work a public benefit than in the other categories of charitable trusts. In the Court of Appeal, however, Sir Raymond Evershed (as he then was), M.R., said that he was not to be taken as adopting the learned judge's view of the explanation of the poverty cases, saying that it might be that such cases must simply be regarded as a well established anomaly.

Process of Validation

Having found that the members of a trade union were not a section of the public so as to satisfy the normal requirement of public benefit in a charitable trust, Cross, J., in *Re Mead's Trust Deed*, went on to consider whether, as one of the purposes of the trust before him was the relief of poverty, and so not dependent on the presence of public benefit, at least in the ordinary sense, the trust was validated by the Charitable Trusts (Validation) Act, 1954. That Act, which saves for charity certain trusts contained in instruments taking effect before December 16th, 1952, provides that any 'imperfect trust provision', that is, any provision declaring the objects for which property is to be held or applied and so describing them that, consistently with the terms of the provision, the property could be used exclusively for charitable purposes, but could nevertheless be used for purposes which are not charitable (section 1 (1)), contained in any such instrument shall (subject as in the Act provided)

> 'have, and be deemed to have had, effect in relation to any disposition or covenant [within section 2] –
>
> (*a*) as respects the period before the commencement of this Act, as if the whole of the declared objects were charitable, and
>
> (*b*) as respects the period after that commencement as if the provision had required the property to be held or applied for the declared objects in so far only as they authorize use for charitable purposes' (section 1 (2)).

A disposition or covenant to make a disposition is within the Act if, apart from the Act, it is invalid, but would be valid if the objects were exclusively charitable (section 2 (1)); but the Act does not apply if, prior to December 16th, 1952, property which was to be held or applied for objects declared by an imperfect trust provision, has, by reason of the invalidity of its disposition for those objects, been paid or conveyed to, or applied for the benefit of, the persons entitled to it by reason of the invalidity (section 2 (2)).

A Curious Result

While the general purpose of the Act is clear, the difficulty of interpreting and administering it is witnessed by the cases on it which have been before the Court. These cases indicate a tendency on the part of the judges to place a fairly wide interpretation on the Act's provisions. Thus in another recent case, *Re Wykes' Will Trusts, Riddington v. Spencer* ([1961] 1 All E.R. 470) (*The Accountant*, August 12th, 1961, page 212) Buckley, J., treated as an 'imperfect trust provision' within section 1 (1), and therefore validated by section 1 (2), a bequest to the directors of a company of a fund 'to be used at their discretion as a benevolent or welfare fund or for welfare purposes for the sole benefit of the past, present and future employees of the company'. His lordship's *ratio decidendi* was that the relief of poverty – the only application of the fund which would be legally charitable, as the *nexus* of benefit was employment by a company – came within the term 'welfare purposes', and he rejected the view that an 'imperfect trust provision' must declare the objects of the trust in such a form as to include by express reference some legally charitable purpose as well as other non-charitable purposes.

In *Re Mead's Trust Deed*, Cross, J., considered *Re Wykes' Will Trusts*, on which counsel for the Attorney-General, seeking to show that there was a charitable trust, relied, and observed that he was being asked to perform in regard to the trust deed before him an operation far more drastic than that performed by Buckley, J., in the earlier case. 'A benevolent or welfare fund', said Cross, J. ([1961] 2 All E.R. 842),

> 'is closely akin to a trust for the relief of poverty. If Mr Wykes had been told that the form of words which he had chosen was open to objection and had been advised expressly to confine the potential beneficiaries to poor persons, he would very likely have agreed without hesitation. In the same way the difference between a trust for charitable purposes and a trust for charitable or benevolent purposes, though very great in law, is very small from the point of view of the intentions of the settlor or testator. But to confine the potential beneficiaries of this trust to poor members of this society would almost certainly be contrary to the intentions of those who provided most of the money to build the convalescent home and have provided

and are providing most of the money for its maintenance. There are probably not many printers who are 'poor persons' within the meaning of the law of charity, and the result of the change would be drastically to cut down the number of members of the society who could qualify for "convalescent benefit".'

His lordship was, however, satisfied that the validating provisions of the Act applied, curious though the result was. He rejected an argument put forward by counsel for the society (which wanted to recover the trust property and start again) that the definition of an 'imperfect trust provision' as a provision declaring the objects for which property was to be held or applied, and so describing them that, 'consistently with the terms of the provision', it could be used exclusively for charitable purposes, was an obstacle in the way of the Attorney-General, though if the words in question had been 'consistently with the spirit of the provisions' his lordship would have agreed. He also rejected an alternative argument, adopting the approach taken by the Divisional Court, that the trustees were under an obligation to carry out the orders of the executive council and that there was really no trust for any purpose other than the purposes of the society. His lordship pointed out that the executive council was intended to act in a fiduciary capacity so far as the trust property was concerned, and, had the trust been valid apart from the Act, would not have been competent to direct the trustees to hand the trust property over to the society. 'The truth is', said his lordship (ibid.),

'that the society, in order, I suspect, to obtain fiscal advantages, sought to dress up what was, from the common-sense point of view, part of its own property as an independent charitable trust. The so-called trust as declared was invalid, but the society can hardly complain if Parliament steps in and validates the trust by twisting its provisions into something which is contrary to the society's wishes. The society is clearly hoist with its own petard.'

He accordingly declared that the trust had been validated by the Act, and that, as from July 30th, 1954, when the Act came into force, the trust property had been held by the trustees for the benefit of those members of the society only who were from time to time poor persons and, in the case of the home for the aged, retired members and their wives.

The Accounting World

NEW ZEALAND

Accountant's New Government Appointment

MR D. C. SNEATH, M.P., F.P.A.N.Z., F.I.A.N.Z., A.A.C.C.A., has been appointed Minister without portfolio in the New Zealand Government's recent Cabinet re-shuffle. Formerly Under-Secretary for Finance, Mr Sneath studied at Edinburgh University and has been a member of The Association of Certified and Corporate Accountants since 1937.

Senior partner in the firm of Sneath & Aston, Registered Accountants, of Taumarunui, he was first elected to Parliament in 1954 and successfully contested the Waitomo seat in the 1957 and 1960 general elections, having in the last a majority of 3,951 votes. In his new appointment, Mr Sneath will retain responsibility for the Inland Revenue Department.

NETHERLANDS

Death of Veteran Accountant

THE Dutch nation, as well as the accountancy profession in the Netherlands, has lost an outstanding personality in the recent death of Prof. Dr. Th. Limperg, Jr., at the age of 81.

Professor Limperg was one of the profession's pioneers. He had been a member of the Nederlands Instituut van Accountants since 1904 (an honorary member since 1922), and for many years he was chairman of its board of examiners. It was under his direction and through his influence that the Institute's rules on professional activities were first drawn up in 1909; and the revision and extension of these rules, as well as the new code of ethics, introduced in 1946 under the presidency of Mr J. Kraayenhof, were the work of a committee presided over by Professor Limperg. He was a firm supporter of the establishment of regulatory legislation for the profession in the Netherlands and he was a leading member of the committee appointed by the Institute to study such legislation.

The Faculty of Economics at the University of Amsterdam was established largely on Professor Limperg's initiative and it was during the period from 1922 to 1950, when he held the position of professor of business economics in the Faculty, that his influence and talent in this field became known and recognized internationally. The theory of replacement value especially was studied and developed by him, and the fruits of his genius have had a stimulating effect on the economy of the Netherlands and more and more are receiving well deserved attention in other countries.

Professor Limperg's outstanding qualities led him

to membership of various committees instituted by the Netherlands Government and in the business world where his memory will long be held in high esteem. In 1950 he received the (American) Wallace Clarke Award in his capacity of Honorary President of the Comité International de l'Organisation Scientifique (C.I.O.S.).

UNITED STATES

'Cash Flow' Analysis

'CASH flow' – net income after adding back expense items, such as depreciation, which do not use funds – is the subject of the second study under the American Institute's new accounting research programme, and Dr Perry Mason, C.P.A., associate director of the research programme, summarizes the conclusions and recommendations in the December 1961 issue of the *Journal of Accountancy*.

The inclusion of a well designed comparative funds statement in the annual report is recommended as a practice to be generally accepted. It should be regarded as a major financial statement and covered by the auditor's short-form report. The breadth of scope and concept of funds should make it a report of all financial management operations, not merely a reconciliation of cash or working capital. The aim should be to disclose and emphasize the more important financial events, with interpretative comments.

Great care should be taken to avoid the impression that depreciation and other such adjustments are sources of funds. It is suggested that the best way is to begin with adjusted net income under the heading 'Funds provided from operations', showing the details in a footnote.

In a consolidated funds statement the aim should be to present the combined financial operations as if a single unit were involved. Hence the significant net income figure is the consolidated net income before deducting any minority interest. Dividends to minority shareholders should be combined with dividends to parent company shareholders.

Growth of the American Institute

MR LOUIS H. PENNEY, C.P.A., in the same issue, tells the story of the American Institute of Certified Public Accountants in this, its Jubilee year. Today all the States, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands have the same C.P.A. examination on the same day, and all but one use the uniform grading service of the Institute. Such an achievement on a voluntary basis is, he suggests, without parallel.

Looking into the future, Mr Penney foresees the development of sections within the Institute each to provide some segment of the membership with specialized services or information. The sections would provide additional research and literature, to be paid for by the section members interested in the subjects rather than from the general funds of the Institute. An ever increasing portion of the C.P.A.'s work is now in areas separate and distinct from the professional audit. His integrity and competence will be recognized more and more in all these fields.

CANADA

International Responsibilities of Accountants

IN his address to the annual meeting of the Canadian Institute, Mr J. A. Wilson, C.A., the retiring President, said that Canada has a responsibility for encouraging the development of professional accounting organizations in other countries, with a willingness to share experiences and technical developments. He pointed out Canada's favoured position for participation in these developments as the melting pot of British and American accounting thought. He thought the Institute might give serious study to ways and means of permitting students of other countries to train in Canada or how to provide them with training material.

Mr Wilson urged that it was the duty of the profession to inform the Government as to the damage to international trade through one-sided legislation under a Combines Act not in line with the requirements of Canada for growth and development. There must be a distinction between being independent and being negative. Other countries are sending people to Canada to develop subsidiaries and it is the duty of the accounting profession to help them to success.

BELGIUM

Tax Reform Bill

A BILL to reform the tax system has been published in Belgium. It provides for a single income tax in substitution for various taxes on different types of income at varying stages which now obtain. At the same time the scope would be widened to include certain occasional earnings which hitherto have escaped tax.

For individuals the proposed rates are 17½ per cent on the first Frs 160,000, rising to a maximum of 55 per cent on the slice above Frs 5 million, with an overriding maximum of 50 per cent of total income. There would be an exemption limit of Frs300,000 for a taxpayer with eight or more dependants, with a sliding scale for fewer dependants. Also proposed is a joint assessment of husband and wife, with a 40 per cent deduction of the wife's contribution. The allowance of a deduction of the previous year's tax will be discontinued, and the automatic expense allowance without proof, hitherto given to salaried taxpayers, is to be reduced if the Bill is adopted.

Companies would pay 30 per cent on their profits, plus 5 per cent of undistributed profits exceeding Frs 5 million. Where profits are distributed, part of the tax on them would be credited to the shareholders, but there will be a deduction of tax from part of the dividend.

Financial Control of Fixed Assets

by R. W. F. RICE, F.C.A.

THE financial control of fixed assets is undoubtedly a subject which is not receiving the attention it merits. Since the Second World War accountants have given their main attention to the creation of standards and budgets to be used as yardsticks in the control of revenue and expenditure. The expression of a company's policies and plans in the form of standards and budgets has become more and more exact and more scientific over the years. The principles of accounting by responsibility have similarly been developed at a fast pace by means of proper charting or coding of accounts. Financial results are now being presented to boards of directors and to all levels of management in such a manner that each executive is receiving only those figures for which he is directly responsible. At the same time each set of figures is part of a comprehensive and integrated whole. Management accounts, as these have come to be known, build up the operating performances of a company in such a form that the overall health of the company's operation and the detailed strengths and weaknesses of the various individual departments can be gauged at all times.

Similarly, cost accountants have worked closer and closer with financial accountants until the time has been reached when financial and cost accounts are thoroughly integrated. Integration, in this sense, does not mean that cost accounts and financial accounts are reconciled nor that the differences between the two can be explained; on the contrary, it means that both the financial accounts and the cost accounts are being built up from precisely the same set of original data and that any costs – for instance of a process or a product – can be identified within the overall financial structure of the company.

In the whole field of a company's selling, manufacturing and distribution operations there is now a close financial control which, by comparing results with the company's original plan, and explaining the reasons for the variances that arise, has enabled not only financial and cost accountants but also managers to understand when, why and to what extent their plans have not been realized. This in its turn enables remedial action to be taken or if this is impossible then the company's plans can be readjusted to meet the changed situation.

An Unpalatable Truth

Yet another field in which financial accountants, or as they have now come to be known financial controllers, have directed their attention is that of return on capital employed. The unpalatable truth, brought home so rudely by take-over bids, that a company may be steadily progressing both in terms of sales and in terms of increasing net profit and yet may still not be producing a proper financial return on the assets which it is using has caused financial controllers to re-examine their overall profits in the light of the assets they are employing from time to time. Whenever any new investment is contemplated the profit which it is anticipated it will produce is calculated to show if possible a reasonable and adequate return on capital.

With this introduction it may be wondered, perhaps, what is left for controllers and auditors to have a look at; but I would now like to make my main point and that is, that with most leading companies in the country having reached the position already outlined, it is no longer sufficient for a company to look at its overall return on capital employed but it must begin to look at each of its various processes and products to see whether each in itself is contributing a fully adequate return on the capital employed by the company in that part of the business.

Precise Identification

In order to carry out this object, a closer and more detailed financial control of fixed assets than is generally found, becomes necessary. As a first step a precise physical identification of assets must be available. It is no longer sufficient to have schedules of the numbers of each type of asset held; on the contrary, it must be possible to identify each and every asset held by a company. Each piece of plant and equipment and each building, and sometimes parts of buildings must be identifiable with the asset records kept by the company. In order to carry out this identification satisfactorily, the company's assets must be subdivided into suitable general classifications, and individual types of equipment must be given standard names or definitions. Each general classification and each individual definition should be coded, thereby avoiding lengthy descriptions, reducing the chance of error and assisting analysis. Within each classification each individual asset must be numbered numerically and the whole code number must appear both on the asset itself and in the records.

At this stage, then, the company knows precisely what classifications and types of assets it holds and can physically identify each individual asset within each of the classifications. With this situation in being the internal audit department is in a position to carry out a checking operation between the assets which the company has acquired as shown by its records,

Paper presented to the London Chapter of the Institute of Internal Auditors.

and those which physically exist in its possession. By this check the management know the extent to which its assets are being misappropriated, abandoned or lost.

This, however, is still not sufficient for our purposes because it is important that management should know not only that its assets exist but also their location. The records must show the area or point at which each asset is located and therefore the manager who is responsible for its maintenance and upkeep.

Lastly, it is necessary to know to what use the particular asset is being put at any moment in time. The uses to which a company puts its assets can probably be sufficiently identified by indicating in the records the cost centre which each asset is servicing.

So far, it may be thought that all I have said is very elementary and hardly worthy of expression, but I think many will be surprised if they re-examine the administrative controls and physical identification of their company's assets to find how often even these most simple requirements are not being properly fulfilled. It is definitely not easy to start a system for proper control of assets in the way I have described, although once the usual objections against change have been overcome the operation of the routine procedures need not be difficult. Basically it is necessary that each new acquisition of an asset is identified and codified in the way described, and similarly disposals or sales (and this includes scrap or loss of assets) must be duly authorized and recorded. The control procedures must also cover any movement in the location of an asset, and the manager responsible for accepting the individual asset from another location must be fully aware that he now becomes responsible for that particular item. Similarly if there is a change in user, the records must be suitably amended to show that the item is no longer being used in the original way but has been transferred to another use. If, once the proper controls are functioning, any asset should be either lost or misused, this should be regarded as a most serious state of affairs and the manager responsible will have clearly to understand that a dereliction of duty has taken place.

Asset Values

Having completed the work of codification and the introduction of control procedures the company should know that all its assets are still in existence, where those assets are located, which managers are responsible for them and to what uses they are being put.

The next step is to incorporate in the records the value of each individual asset, but I do not wish in the course of this short paper to enter upon the thorny problem of what constitutes the value of an asset. I would only like to make the comment that there may not be any one value which satisfies all the requirements of management. I would like to suggest, therefore, that a company should at least have permanently recorded the original cost value of each asset and that serious consideration should also be given to recording the current replacement value.

Careful thought will also have to be given to the subject of depreciating the company's assets and charging such depreciation as an item of cost. My own view on depreciation is that the necessity for it is caused solely by the fact that most fixed assets have a longer useful life than the conventional accounting period of one year. The expenditure incurred on an asset cannot be fully written off in the year of acquisition and therefore an attempt has to be made to spread the cost over the anticipated lifetime of the asset.

Depreciation

There are, of course, many different ways of calculating depreciation but except where there are other good causes I am personally in favour of taking the most simple solution of spreading the total cost of the asset concerned in even amounts over the anticipated number of years life of the asset. This method, of course, assumes that the company is obtaining equal value from the work done by the asset throughout the whole of its life; but if, on the other hand, the useful work to be done by the item concerned is anticipated to diminish over the years, then it might reasonably be argued that the earlier years should bear a higher proportion of the cost of depreciation. I also feel strongly that the number of years' anticipated life for each asset should be based on the normal natural life of the asset concerned and not any other criteria, such as a management decision to use the asset for a shorter length of time. By this I mean, for example, that if the natural life of an asset is estimated to be five years but that it is management's intention to replace that asset with a more up-to-date model after only three years, my own view is that the depreciation should still be based on a five-year life and that management in taking the decision to dispose of the asset after three years must realize that in doing so they are scrapping or selling off an asset which still has a life and a value equal to 40 per cent of the original total, and this fact should be appreciated when considering such a change.

From the financial point of view, the natural life of an asset should in fact be estimated to terminate at the moment when the operational cost of running a new asset of the same type and capital cost would be less than the present operational cost including all relevant factors such as interest on capital, depreciation, routine maintenance, repairs, cost of spare parts, breakdown costs, lost production time, product losses, loss of quality, etc. If this point is passed and the company does not replace the asset concerned, then it should be clearly understood by management that in fact it is no longer running at the most economical level. I should like to make one last point on the subject of depreciation and that is that the life of many assets calculated in this manner will be much shorter than is generally realized.

It will be apparent, then, that control of a company's fixed assets requires care and thought in the correct recording of information. The best system is a ques-

tion for each company to decide for itself, but I would like to make the point that whatever system is chosen it should be unitary. By this I mean that a separate card should be maintained for each individual asset. These records can be either in the form of cards prepared manually or by typewriter, or alternatively in the more sophisticated form of punched cards. Records kept on punched cards have the advantage that tabulations which can be used for checking purposes or for any review of a company's asset position by its management can be prepared with very little trouble on a tabulator. Whatever form of record is used, however, should maintain the principle of flexibility and it should then be a simple task to make the necessary entries correctly and with the minimum of work.

Adequacy of Spare Part Stocks

At this point I would like to deviate a little and say a few words on the subject of engineers' spares. As depreciation and the running costs of plant and equipment become higher and higher in proportion to a company's total operating expense, so the importance of ensuring that plant does not break down and fail to give the required production, is becoming a subject to which management is giving more and more attention. One of the resultant steps that has been taken by many companies is to set up a quite large and fully stocked store of spare parts and even spare equipment and motors, so that in the event of a breakdown or failure of a part, that part can be replaced immediately without having to wait for outside suppliers to deliver.

In some ways, the methods of controlling the contents of an engineers' store are the same as those for any other store; but there are, however, certain additional important matters that require attention. First of all, there must be the usual form of stock record showing, for each part held, the balance of stock in hand, the parts received, the parts issued and the parts on order from outside suppliers awaiting delivery. The manager in charge of the engineers' store must also be constantly studying the pattern of usage and weighing the cost of holding stock against the cost of being unable to replace a faulty part immediately. Having established the number of weeks or months usage required to be held in stock for each part, the manager in charge must constantly be reviewing these levels to see that the numbers held in stock are neither excessive nor too few for the company's purposes.

Another factor which is sometimes forgotten is that the parts themselves should be strictly related to the machines on which they are used; the effect of this simple statement is quite obvious, namely, that if a particular machine or type of machine is withdrawn from use permanently then all the spare parts related to that machine are no longer required and are surplus. The company's system of recording must therefore incorporate within it the automatic notification to the manager in charge of the spare parts store of any withdrawal of a machine from use, the introduction of any new type of machine (together with specifications of the spare parts required) and thirdly, any change of specification within a machine which is still in use. If each of these control factors is not properly incorporated within the company's records then the situation arises where spare parts are concontinuing to be held which might possibly never be needed again, and indeed it is even possible for further parts to be ordered after the requirements for that particular part have ceased altogether. The opposite can also happen, namely, that despite management's best inentions to have a supply of spare parts always available to meet breakdowns and faults, nevertheless if the control procedures are not properly introduced it may still be possible that when the breakdown occurs the required part, or parts, may not be available.

I have sometimes been asked whether a company should incorporate within its costs, allowance for depreciation of engineers' spare parts. On the whole, I am inclined not to allow depreciation of this type, mainly for the reason that a spare part not in use is unlikely to be depreciating due to normal wear and tear. However, if this is not the case and the spares for any reason are subject to depreciation then this factor should be allowed for within the company's costs. It is, however, important that the manager concerned should be aware of the interest on the capital tied up in the spare parts, and also – and this can be a most important factor – the cost being incurred by the company due to having to sell or scrap spare parts no longer required. Especially where a company is in an active phase of development and constantly renewing and modernizing its equipment, this aspect of the cost of spare parts surplus to requirements can be very large. The position is made worse by the fact that it is most difficult to sell off surplus spare parts. Sometimes special arrangements can be made with the supplier of the parts concerned, and the buying department when placing orders for further supplies should consider at that time the possibility that the company at a later date may wish to dispose of, or sell back, to the supplier some proportion of the parts purchased. If a suitable arrangement can be made with a supplier it may in fact help to minimize future losses.

Profitability

I should now like to return to my main theme of keeping a financial control on fixed assets. I am, of course, referring to the return or profit on the capital employed, not only by the company as a whole, but within its separate main constituents. We now have the means available to express the profit made by each of the company's main products or processes in the form of a percentage return on the capital employed in that section of the business.

There is little doubt that the first time this exercise is done the results will be most surprising. It will almost certainly be found, for instance, that the

differences in profitability between the various sites, locations and processes in which the company is concerned will be very considerable. Having obtained the return on capital from the various constituent sections of the business, it is then most important that appropriate action should be taken to review prices, costs, methods of production and distribution, marketing techniques and all the other aspects of running a business to bring into line those parts of the business that are not producing a proper return. Similarly, if the return on capital for any part of the business is found to be exceptionally high, careful review of the reasons for this situation should be made in order to make sure that a dangerous situation is not building up for the future whereby a competitor will be able to seriously undercut the company's products.

At this stage it will be found that there are certain assets in use on which there are apparently no direct profits. I am, of course, referring to such assets as a head office administrative block, research laboratories, car parks, bicycle sheds and many of the other necessary assets that have to be held by the company in order that it can function in modern society. There are two ways of dealing with such assets and the methods are exactly the same as those used for indirect costs, namely, firstly those unremunerative company assets can be apportioned to the profit-making assets before the return on capital is calculated. Or secondly, they can, metaphorically speaking, be set on one side and not be included in the calculations, in which case it must be realized that the return on capital that is required from the remaining productive assets must, of course, be higher to compensate for the fact that some assets have not been included in the calculation.

Conclusion

This then, briefly, completes my main thesis which can be stated very simply, namely, that most companies should be devoting more of their attention to the proper physical and administrative control of their assets so that at all times they know what assets they possess, what they cost, what their present value is and where, and for what purposes they are being used. Please do not think from what I have said that I regard the points I have covered as including the last word on the subject of financial control of fixed assets. On the contrary, the whole subject is a comparatively young one and much research and development remains to be done. In particular, none of what I have said should be construed as preventing the need for special studies on the desirability of modernizing equipment, thereby obtaining faster production or better quality goods, or lower costs. Nor should anything I have said be construed as preventing the need for constantly watching the course which the company is taking and whether any changes in course are necessary. The need to be watching and comparing the results achieved in the use of the company's assets against the plans which were set, and taking such actions as may be necessary should form one of managements chief functions.

For their part, accountants and auditors must always be watching, from the information available, for the possible ineffective use of the company's capital or resources. To give one simple example, I would like to quote to you the true story of finding, after the introduction of a simple form of financial control on fixed assets, that some plant which had been stored and set aside in a special building in case it might possibly be required again in the future was found to have an annual cost in the form of rent, upkeep and interest on capital which was equal to three times the actual value of the plant. Needless to say, instructions were immediately given that the plant should be sold off, which simple step by itself produced a saving of several hundred pounds per annum.

To summarize the points I have made therefore:

(1) Classify all the company's assets into suitable types or groups.
(2) Codify these types.
(3) Physically identify each and every one of the company's assets.
(4) Ensure that the company's administrative records agree fully with the assets in fact held.
(5) Ensure that procedures are introduced which will ensure control on the acquisition, disposal, movement or change of user of each of the assets.
(6) Ensure that at all times a manager is responsible for every one of the company's individual assets.
(7) Ensure that the company's records of each asset include the value and depreciation charged against the asset, and also ensure that these records are kept simple and up to date at all times.
(8) Make sure that spare parts are properly stored and controlled and that the quantities of each spare part are being constantly reviewed so that there is neither too much money tied up in the stock of spare parts, nor that there are too few spare parts to adequately cover breakdowns.
(9) From the information available constantly watch the return on capital employed in the various sections of the business, and take such action as may be necessary to avoid the development of unfavourable trends.

Finally I would urge most strongly that what I have said should not be treated as an academic subject but that accountants should take a fresh look at the means of control of fixed assets in their own companies and when having this fresh look to attempt to approach the matter from the point of view of a financier, for it is by such an approach that so many forced take-over bids have been effective in recent years. I would submit, therefore, that every company should be constantly watching the proper financial use of all its assets in order that at all times it is making the best possible use of all its resources.

Weekly Notes

COMPANY DIRECTORS AND THE BUDGET

A LETTER from The Institute of Directors to the Chancellor of the Exchequer contains some plain speaking about the present tax system and its administration. It strongly urges the setting up of a departmental committee to make a complete investigation into estate duty.

As regards the coming Budget, the letter urges the grant of depreciation allowances for commercial buildings which do not qualify as industrial buildings. Special mention is made of the improvement schemes which the Offices Act, 1960, will make necessary and of the lack of provision for tax allowance. Not surprisingly, the Schedule E expenses rules come in for castigation. They are described as unrealistic in the light of the modern business world. All expenses reasonably incurred for the appropriate performance of the duties ought, in the Institute's view, to be allowed.

The letter makes the interesting point that the favourable treatment now accorded to earned income in relation to surtax will encourage directors of family companies to take out more in the way of remuneration and correspondingly less in dividends. Payments of remuneration do not rank as a distribution of profits in the eyes of the Special Commissioners when they are considering surtax directions. The Institute thinks that they should be instructed to take a more liberal attitude in this respect.

ASSENT TO WHAT?

THE news that the T.U.C. Council has accepted the Chancellor's invitation to join his proposed National Economic Development Council is to be welcomed, if only because it means that the impasse in the current negotiations between Mr Lloyd and the unions has been broken. Whether the T.U.C.s association with the N.E.D.C. betokens a new approach to the problems confronting the United Kingdom economy is another matter.

In its letter of acceptance, the T.U.C. stressed the difficulties of its own position, i.e. that it has no powers of control over member unions, and the weaknesses of the Chancellor's alternative proposals for dealing with the pay demands, and their implications. This was necessary, lest anyone should be so naïve as to imagine that the mere fact of the T.U.C.s participation in the N.E.D.C. will produce a workable solution. What is really disturbing to the outsider is not so much these difficulties, real though they are, but the obvious unreadiness and inability of union leadership to convince its membership that the present 'pay pause', for its all its weaknesses and injustices, is at least an attempt to provide a short-run palliative to inflation. Sooner or later the rank and file will have to be told that jobs are not held as of right, they have to be earned; just as the fact that the market is prepared to pay one group of workers 5 per cent more for staying in a particular job does not mean that it is prepared to pay the same increase to every other section of labour.

With the best will in the world, it is hard to believe that the Chancellor's new body will contribute greatly to the formulation of a realistic policy. Recent events make it evident that the absence of independent members is a fundamental mistake for which, in the long run, the consumer will pay; always assuming that the N.E.D.C. does not follow the earlier Committee on Prices, Productivity and Incomes into oblivion.

MANAGEMENT PLAY

AN interesting development in the use of drama in industry has recently taken place. This is the presentation of a play to 'put over' the advantages which may be derived from an O. and M. investigation. Called *The Rainbow Story*, the play tells of the reorganization of the office of Rainbow Paints Ltd, fictitious manufacturers and suppliers of paints. Faced with a situation where office records were behind schedule, overtime was the rule rather than the exception, deliveries were late, and customers' complaints about invoicing and delivery mistakes were numerous, the management decides to carry out an O. and M. investigation. In five short scenes the problem is analysed, and the solution is found and implemented.

The play was written by members of the staff of Associated Industrial Consultants Ltd, and it has been produced before management audiences in Edinburgh and Stirling. It has now attracted attention in the United States, and the Stanford Research Institute of the International Industrial Development Centre, California, has asked for a copy of the script. The play is to be produced before management groups in California and the script reproduced as an appendix to the Institute's forthcoming manual.

NEW EUROPEAN EQUIPMENT LEASING SERVICE

PLANS for extending the new service of equipment leasing into Europe were announced last week by Hambros Bank Ltd, Lease Plan International Corporation of New York and Cofinindus, S.A., of Brussels. They have jointly formed a new Belgian corporation called Locabel, S.A., to engage, initially, in the leasing of equipment and vehicles to commercial and industrial companies. Locabel will be a similar company to the Equipment Leasing Co Ltd

(Elco) formed last August (*The Accountant*, September 2nd), and it is expected that, like Elco, it will offer its facilities to selected manufacturing companies to complement their sales activities, as well as leasing plant and vehicles direct to industrial customers in the normal way.

Locabel management has been trained in American leasing methods by the staff of Lease Plan International Corporation, and Locabel's European backers will provide the company with a strong introduction to local manufacturing communities. It is anticipated that Locabel and Elco will be the first of many new leasing operations concentrated, initially, in the principal European and Common Market countries.

Since the formation of Elco, the company has already had an encouraging success. Within the few months since its formation, turnover is well in sight of the initial target of £2 million a year and it is expected that this rate will be exceeded within the near future.

HIRE-PURCHASE TERM UNENFORCEABLE

IN our issue of March 11th last we reported the Court of Appeal decision in *Campbell Discount Co Ltd v. Bridge* ([1961] 2 Q.B. 445). The defendant has now successfully appealed to the House of Lords.

Under a hire-purchase agreement made in 1959, the defendant agreed to take a second-hand car on hire-purchase for a total price of £482 10*s*, the cash price being stated at £405. Clause 6 gave the hirer an option to terminate the hiring at any time, whereupon clause 9 was to apply. Clause 9 provided, *inter alia*, that if the hiring be terminated for whatever reason the hirer should forthwith pay all arrears plus, 'by way of agreed compensation for depreciation', a further sum which would be sufficient to bring the hirer's total payments up to two-thirds of the hire-purchase price. After paying a deposit and one instalment the defendant wrote an apologetic letter to the hire-purchase company saying he was unable to continue the payments. The company sued him for £206 3*s* 4*d* under clause 9, as well as taking back the car. The Court of Appeal rejected his plea that the £206 was a penalty for breach of contract and therefore unenforceable, on the ground that he was not in breach but had simply exercised the clause 6 option.

The House of Lords has now held, according to *The Times* of January 26th, that the defendant's letter did not amount to the exercise of the clause 6 option but was merely an intimation of breach of contract. On that footing, the provision in clause 9 was clearly a penalty in that while it purported to be for 'depreciation', the amount payable under it actually grew less as the car grew older. The case was remitted to the County Court with a direction to assess what damages, *if any*, were payable by the hirer to the company on the basis that (1) the hirer had not exercised the clause 6 option; (2) the hirer was in breach of contract; and (3) the sum claimed under clause 9 was not payable. The hirer was also awarded his costs in the House of Lords and in the Court of Appeal as from the date of issue of a civil aid certificate on August 8th, 1960.

The opinion was expressed in the House of Lords that even if the hirer's letter had constituted an exercise of the clause 6 option, the sum payable under clause 9 would nevertheless have been unenforceable. The purported agreement to pay compensation was a mere sham, the reality was that the company was stipulating for the interest on its money even if the money was not outstanding.

It is clear that lawyers who draft the small print on hire-purchase contracts will have to tax their ingenuity still further if their clients are to avoid the stringent provisions of the law designed to protect the weaker parties to contracts.

IMPROVED OUTLOOK FOR EXPORTS

IMPROVED export markets for British goods were forecast by the President of the Board of Trade at the end of last week. His remarks more or less coincided with the announcement that the first stage of the 'pay pause' would end in March. It is apparent that the Government is somewhat more optimistic about the economic outlook than it has been since the early part of last year.

Mr Erroll looked forward to a slow improvement beginning soon. He was rather less optimistic about the market in countries producing primary products but he looked forward to an impetus for British exports from the continuing trade recovery in the United States. Presumably it is also thought that there will be a further significant expansion in the market in western Europe after the current slight pause. Certainly, it is the prospect of the share in this last market which this country could obtain on fair trade terms which is behind the haste to proceed with negotiations on the European Common Market.

The European Common Market talks are about to enter their second and crucial phase. Over last weekend the West German Minister for Economic Affairs, Dr Erhard, said that he thought this country could be inside the European Economic Community by the beginning of 1963 and a call to make this the target date has also been put out by a group of German industrialists. But for 1962, this country will have to try to expand its exports into the E.C.M. without any help from tariff disarmament.

UNEMPLOYMENT AT 2 PER CENT

It is almost two years, twenty-three months to be exact, since the level of unemployment in this country came within sight of 2 per cent. In each Ministry of Labour region there are more people looking for jobs than there are jobs requiring applicants. Unfilled vacancies in early January were at their lowest since May 1959. The gap between unemployed and unfilled vacancies has risen suddenly to over one-quarter of a million. Last year at this time unemployment was at 1·9 per cent.

Some of the increase in workless is due to the severe weather at the end of December and in early January. The building trades have been particularly affected. This would perhaps account for the fact that the largest increase in unemployment last month was in London and the south-east, an area which, along with the west Midlands, has for long been particularly immune from lack of work.

There have also been signs this winter that the lack of jobs has begun to affect the young age groups now coming on to the labour market for the first time. There was an increase of 12,000 in the number of unemployed school leavers in December and early January. The largest increases were in the Northern Region, North-western Region, Scotland and in London. Particularly in the south, however, it does not seem likely that this will be more than a passing phase.

USING MARKET RESEARCH

A SAMPLE survey made by the British Institute of Management recently, indicates that only half as much is spent in relation to turnover on market research by companies making industrial equipment as by those making consumer goods. These results, says the Institute, must be interpreted with caution because the sample making returns on the questionnaire were small.

Nevertheless, the difference of attitude on this subject between makers of industrial products and those making consumer goods is well known. Whereas few large manufacturers in the final consumer market now put out a new product without consumer research and pilot investigations, many makers of industrial equipment are prepared to 'make first and market second'. This has been particularly true of highly technical goods. Why this should be so is not easy to say. It goes back a long way to the days when there was a large craft element in manufacture and when a buyer was expected to know as much about a product as its seller. The idea has come down from those days that a good product sells itself, that the lily should not be gilded. This attitude was sound enough when this country made a large range of industrial goods without competition from other countries. Today it is less so.

Yet the 'producer mindedness' of British companies changes only slowly. It still makes sense to many concerns to risk a million pounds in a project rather than spend a thousand or two pounds finding out if a product has a market, who will buy it and at what price. Such surveys as this show clearly that this country still has a great deal to learn about knowing its market, especially abroad.

TELEVISION OF THE FUTURE?

FOR better or for worse, and opinions are clearly divided on the point, at least two and probably three bodies are destined to transmit to our television screens what to the 'culture vultures' is no more than the 'opium of the masses', or what to the liberty-loving individualist merely reflects majority preferences in the matter of programmes. It will be for the Pilkington Committee on broadcasting to decide – subject to Government approval – the organization of our future television industry, but the latest Hobart Paper from The Institute of Economic Affairs[1] leaves no doubt as to where its authors think the choice should lie. 'Somehow, the majority must continue to be allowed to watch what it likes . . . in conditions where increasing provision is made for more discriminating viewers', conclude the three authors; which is merely another way of saying that we should be preserved from another Reith who knows what is good for the public.

The authors make out a good case for their individual preferences and succeed at the same time in giving the lay reader quite a lot of useful background information about the economics and history of television. This is also its main weakness for the lay reader because, for all its occasional efforts at objectivity, there is never any doubt that the authors are making out a case. Among its thought-provoking suggestions is the proposal that the B.B.C. should take advertising to obtain the necessary finance for the improvement of its programmes, while the viewer should be allowed to apportion half of his £4 licence fee between the television companies according to his preferences.

Refreshing in these days of conformity as the proposals of the three authors undoubtedly are, at least one commentator feels that they have nowhere fully recognized the full implications of their policy. Television programmes are not, at least they should not, be aimed solely at selling soap powder. Nor is it enough to make 'some provision' for the minority. The real answer is to improve public taste. This could be done by a transformed television service.

INSPECTOR'S REPORT ON BUILDING SOCIETY

THE final report of the inspector appointed by the Chief Registrar of Friendly Societies on February 3rd, 1961, to examine the affairs of Lloyds Permanent Building Society was published by H.M.S.O. (price 3*s*) last Wednesday. This final report is intended to be read in conjunction with the inspector's interim report published on February 24th, 1961 (*The Accountant*, March 4th, 1961).

The inspector comments on the administration of the society following his interim report and discusses in further detail the transactions involving the former chairman and associated company. The final report includes an approximate statement of the assets and liabilities of the society at June 30th, 1961, which in

[1] *TV: From Monopoly to Competition*, by Wilfred Altman, Denis Thomas and David Sawers. Hobart Paper No 15. The Institute of Economic Affairs, 66A Eaton Square, London SW1. Price 7*s* 6*d*.

the opinion of the inspector represents a reasonably up-to-date and reliable assessment of the society's financial position and may be said to mark the first phase of the rescue operation that has been undertaken by the new board. This statement shows a balance surplus of over £75,000, but the inspector draws attention to problems involving the adequacy of the society's reserves. In reviewing the future prospects of the society he also draws attention to the position with regard to liquid funds. He points out that alternatives to the long-term establishment of the society as a going concern on a sound financial basis are (1) gradually to repay all the shareholders and depositors in instalments as liquid funds accrue from the repayments of mortgages or (2) to effect a transfer of engagements to another society; and he goes on to draw attention to the problems relating to each of the alternatives.

In conclusion, the inspector says that his further inquiries have added confirmation to the conclusion he reached in his interim report that this was a case of a society dominated by one man who regarded it virtually as his own private business and who was able, mainly because of the good repute of building societies in general and the offer of excessive rates of interest on shares, to obtain money from the public on an ever-increasing scale without regard to the essential interests of the investors.

This is My Life . . .

by An Industrious Accountant

CHAPTER 109

I'VE been worried recently about the behaviour of our austere and high-principled office manager, James. He's been touchy and difficult in dealing with his staff and is obviously worried. He has a sort of pent-up desperation in his look, and his hands seem shaky. So I called him in for a chat and put the question straight. What was wrong, and could I be of any help?

Strictly speaking, it was none of my business, of course; but he's on my staff, so I preferred to risk a rebuff rather than to pass by, Pharisee-like, on the other side. I was rather pompous, I'm afraid: still, accountants are traditionally as confidential as the confessional, so he could talk without reserve, if he wished.

He did, as it happened; he came clean. He stumbled a bit at first, looking anywhere but at me, then out it came. He was indeed perturbed, he said; he foresaw what was almost disaster, his life was practically in ruins; it was . . . a woman.

As president of the staff social club he has worked closely with the committee's secretary, a massive blonde comptometer operator, no longer young, known as the Hairpin. At evening meetings together they initiated several new projects, James innocently earnest, the Hairpin briskly co-operative. Now he couldn't get free of her. She visited his office regularly with club correspondence, she 'happened' to meet him on the way to lunch and joined his table; she asked him for lifts home. . . . His fingers twined convulsively as he told of the closing trap. He held nothing back; his spirit was almost broken.

I was really taken aback; this sort of problem was neither anticipated nor desired. It was typical of James's old-fashioned courtesy that he had found himself unable to be brusque or blunt; the situation would have presented no trouble to a tougher man. We eyed one another in some embarrassment; the decision must be his alone. It was difficult to advise him on his strategy . . . hearty tactlessness, broken appointments, brush-offs . . . but I did my best. A week's leave if necessary . . . cruel to be kind . . . he swallowed and nodded.

We left together for lunch and in the corridor we suddenly met the Hairpin herself, confident, possessive, in command. 'Ah, James', she beamed. 'Could you see me this evening about our Group Holidays Abroad scheme? We're offered a 10 per cent cut by the agents. You know, we'll really learn to relax and enjoy ourselves on this trip.' She pressed a sheaf of brochures into his hand; she seemed almost maternal.

For a moment a strong man's destiny wavered in the balance. Then James straightened himself stiffly and swung the axe. 'I've decided to cut that scheme altogether,' he said hoarsely. 'The orphanage (his pet social activity) has asked me to run their outdoor activities this summer. It'll take all my time . . . I'll pack up the club presidency, of course, I've wasted too much time with it.'

The victim went sickly white, but she took the blow without flinching. She even managed to stammer some banter about having a jolly time with the boys and girls, before she went on her way leaving James the victor – though he didn't look it. His face was puce, his forehead wet. I felt like a butcher myself as we parted; I thought of Wilde's line: 'so each man kills the thing he loves'. Somehow the scheme had backfired: I had the feeling that the Hairpin had been the hardest hit.

I was still feeling depressed next morning, when James came striding in with a new and masterful light in his eye. Though a trifle awkwardly, he said: 'I wonder if you'd agree to be my best man? I've changed my mind.'

So in spite of my blundering, it came right in the end. But I'll avoid well-meant psychiatry in future.

Finance and Commerce

Well Organized

HOW well the chairmen of the big steel companies organize their publicity! Or was it sheer chance that the accounts of The United Steel Companies Ltd (chairman: Sir Walter Benton Jones) were followed the next day by the accounts of the South Durham Steel & Iron Co Ltd (Mr B. Chetwynd Talbot) and by the accounts of Dorman Long & Co Ltd (Mr E. T. Judge) a day later?

Fundamentally, of course, it is to the shareholders in these companies that their chairmen report. Sir Walter, of United Steel, addresses himself specifically to the nearly 50,000 shareholders of the company. His statement, he says, is 'an endeavour to examine in every man's language the factors which may determine the prospects of steel-making in the next few years'.

Steel, of course, is one of the country's key industries; its activity has a direct bearing on the national economy; and while run by private enterprise, it is subject to control exercised by the Iron and Steel Board. So there is a very decided difference of opinion as to what, in the public and national interest, should be aired.

Under Capacity

Mr Talbot, whose South Durham accounts provide the subject of this week's reprint, shows how the industry gave its support to the creation of an Iron and Steel Board during the introduction of the 1953 Iron and Steel Act – which returned steel from public to private ownership. Up to the early months of 1959, he says, the Board and the industry worked in harmony to improve efficiency, to encourage development, and to ensure that reasonable margins were secured between production costs and selling prices for purposes of finance and avoidance of over-heavy borrowings for development purposes. But, it appears, this harmonious relationship has since 'greatly deteriorated'.

The Board, Mr Talbot says, insists that 90 per cent of potential capacity should be taken as the yardstick in assessing the prices of steel products whereas the industry is down to 75 per cent of capacity working – a position which may continue for an indefinite period.

At the end of 1960 and during 1961, the demand for steel weakened. From a record ingot production of 24,305,000 tons for 1960, the final estimate for 1961 production is 22 million tons and for 1962, it is reckoned, the figure is unlikely to exceed 21·5 million tons. The position for steel producers is worsened by the tendency of consumers to draw on stocks when demand declines. Steel stocks in this country held by consumers and merchants, points out Sir Walter, of United Steel, are equivalent to about thirteen weeks' production.

Rising Costs

While the Iron and Steel Board limits the credit side of the profit and loss account, the debit grows heavier. Mr Talbot reminds shareholders of his words twelve months ago to the effect that the Ministry of Power's 'policy of appeasement' in accepting the National Coal Board's demands for higher coking coal prices was not only of a discriminatory nature but was bound to have 'serious reflections on the earning capacity and the future competitive ability of the industry in export markets'. Then there was the fuel oil tax in the 1961 Budget (which Mr Judge, of Dorman Long, points out, put 8*s* a ton on the price of finished steel); these two 'misguided and ill-judged decisions', says Mr Talbot, put something

SOUTH DURHAM STEEL & IRON COMPANY LIMITED

Profit and Loss Account for the year ended 30th September, 1961

	1961	1960
	£	£
Trading Profit (gross)	7,063,154	8,066,717
Add:		
Dividends from Trade Investments (gross)	27	27
Dividends from other Investments (gross)	24,808	21,717
	7,087,989	8,088,461
Deduct:		
Directors' Fees (See also Note 1)	9,500	9,000
Auditors' Remuneration	3,500	2,500
Staff Pensions and Life Assurance Schemes	57,079	54,335
Workmen's Pensions and Life Assurance Schemes	122,438	103,071
Provision for Supplementary Non-Contributory Pensions	35,000	35,000
Debenture Stocks Trustees' Remuneration	1,391	1,483
Depreciation	2,175,000	1,850,000
Interest on 5¼ per cent. Debenture Stock	155,755	157,500
Interest on 6 per cent. Debenture Stock	251,357	367,385
Interest on Bank Loan	720,308	283,781
Interest on F.C.I. Loan	1,435,000	741,700
	4,966,328	3,605,755
Profit before Taxation	2,121,661	4,482,706
Deduct:		
Taxation (Note 2)	200,000	250,000
Amount accruing from Investment Allowances transferred to General Capital Reserve	900,000	2,000,000
	1,100,000	2,250,000
Balance of Profit after Taxation and Transfer to General Capital Reserve	1,021,661	2,232,706
Deduct:		
Dividends paid and recommended, less income tax (Note 3)	849,390	1,010,908
Profit retained	172,271	1,221,798
Transfer to 5¼ per cent. Debenture Stock Sinking Fund Reserve	60,000	—
	112,271	1,221,798
Transfers to Reserves	—	1,200,000
Unappropriated Profit	112,271	21,798
Balance brought forward from previous year	185,688	163,890
Balance of Profit carried forward at 30th September, 1961	297,959	185,688

SOUTH DURHAM STEEL & IRON COMPANY LIMITED

Balance Sheet at 30th September, 1961

	1961 £	1961 £	1960 £
CAPITAL	*Authorised*	*Issued*	
Ordinary Shares of £1 each	13,867,587	13,867,587	*13,753,843*
Unclassified Shares	4,132,413	—	—
	18,000,000	13,867,587	*13,753,843*
CAPITAL RESERVES			
General Reserve (Note 4)	5,219,396		*6,836,802*
5½ per cent. Debenture Stock Sinking Fund Reserve	60,000		—
		5,279,396	*6,836,802*
REVENUE RESERVES			
General Reserve	11,845,422		*11,845,422*
Contingencies Reserve (Note 5)	—		*403,990*
Unappropriated Profit	297,959		*185,688*
		12,143,381	*12,435,100*
TOTAL SHARE CAPITAL AND RESERVES		31,290,364	*33,025,745*
AMOUNTS SET ASIDE FOR			
Equalisation of taxation	3,290,451		*3,157,926*
Contingencies (Note 5)	291,832		—
		3,582,283	*3,157,926*
LOANS			
5½ per cent. Debenture Stock 1976–81	£		
Authorised	3,000,000		
Less Redeemed and Cancelled to 30th September, 1961	66,500		
	2,933,500		*3,000,000*
6 per cent. Second Debenture Stock 1978–83 Authorised and Issued (Note 7):			
Non-Convertible	3,867,587		
Convertible	264,826		
	4,132,413		*4,246,157*
Barclays Bank Ltd. (Secured)	15,500,000		*5,000,000*
Finance Corporation for Industry Ltd. (Secured)	20,500,000		*20,500,000*
		43,065,913	*32,746,157*
CURRENT LIABILITIES AND PROVISIONS			
Trade Creditors, including retentions on Capital Expenditure £2,311,495	5,201,562		*8,331,515*
Amount due to Subsidiary Company	3,176		*1,109*
Current Taxation	1,011,610		*250,637*
Unclaimed Dividends and Debenture Stock Interest	1,933		*2,506*
Amount set aside for Renewals, Relinings and Repairs, and Land Restoration	718,287		*819,844*
Provision for Supplementary Non-Contributory Pensions	136,241		*129,272*
Proposed Final Dividend—Net	509,634		*673,939*
		7,582,443	*10,208,822*
		85,521,003	*79,138,650*

	£ At Cost, or Net Book Value at 1st October, 1947	£ Accumulated Depreciation	1961 £	1960 £
FIXED ASSETS				
Land and Minerals	525,075	2,073	523,002	*516,602*
Buildings	5,340,974	380,060	4,960,914	*4,315,645*
Plant and Machinery	74,212,301	9,015,439	65,196,862	*60,610,941*
	80,078,350	9,397,572	70,680,778	*65,443,188*
Loose Plant and Tools as valued by the Company's Officials			1,342,133	*1,327,273*
Trade Investments, at cost			227,014	*148,889*
			72,249,925	*66,919,350*
SUBSIDIARY COMPANIES (Note 9)			5,000	*5,000*
CURRENT ASSETS				
Stocks and work in progress (less cash received) as valued by the Company's Officials		8,253,432		*7,245,902*
Trade Debtors		4,827,657		*4,682,799*
Investments (Market Value £594,964)		155,902		*63,733*
Cash at Bankers and in Hand		29,087		*221,866*
			13,266,078	*12,214,300*
			85,521,003	*79,138,650*

B. CHETWYND TALBOT
W. A. METCALFE
} *Directors*

THE NOTES ON PAGE [132] FORM PART OF THE ACCOUNTS

SOUTH DURHAM STEEL & IRON COMPANY LIMITED

NOTES

	1961	1960
	£	£
1. Emoluments of the Directors in respect of services as Executives	47,664	46,013

2. TAXATION—based on the profit for the year

Income Tax, after applying benefits from Investment and Initial Allowances	—	Cr. 205,097
Transferred to amounts set aside for equalisation of taxation	132,525	Dr. 516,237
		311,140
Net adjustment for previous years	67,475	Cr. 61,140
	200,000	250,000

3. DIVIDENDS PAID AND RECOMMENDED, less Income Tax:

Interim Dividend on 13,867,587 Ordinary Shares at the rate of 4 per cent. paid 30th June, 1961	339,756	336,969
Final Dividend on 13,867,587 Ordinary Shares at the rate of 6 per cent. (making a total distribution for the year of 10 per cent.)	509,634	673,939
	849,390	1,010,908

4. GENERAL CAPITAL RESERVE

The consolidation of the Capital Reserves and movements thereon may be seen from the following statement:—

At 1st October, 1960:			£
General Capital Reserve			256,802
Investment Allowances Reserve			4,830,000
Replacement of Fixed Assets Reserve			1,750,000
			6,836,802
Add:		£	
Surplus on purchase of 5¼ per cent. Debenture Stock		6,415	
Amount accruing from Investment Allowances in year to date		900,000	
			906,415
			7,743,217
Deduct:			
Stamp Duty and Quotation Expenses		23,021	
Plant and Machinery no longer operating, written off (net book value)		2,500,000	
			2,523,821
At 30th September, 1961			5,219,396

5. CONTINGENCIES

	£
Reserve at 1st October, 1960	403,990
Deduct:	
Costs incurred during the year in respect of starting up South Works	112,158
Amount set aside at 30th September, 1961	291,832

6. DEPRECIATION

In the year to 30th September, 1961, the Company has adopted a life of 25 years for computing depreciation on the principal items of productive Plant and Machinery. The application of this policy to assets previously depreciated on the basis of a 20 year life has reduced the depreciation charge for the year by £287,000.

7. CONVERSION RIGHTS

The holders of the 6 per cent. Convertible Second Debenture Stock who did not exercise their option to convert at 31st March, 1960 or 31st March, 1961, have an option to convert up to half their Stock into £1 Ordinary Shares at par on 31st March, in each of the years 1962 to 1964 inclusive.

8. LOANS

As security for the borrowings from F.C.I. and from Barclays Bank Limited, to a combined total of £36,000,000, the Company has issued to them debentures charging by way of floating charges the whole of the Company's undertaking, assets and property, such charges ranking in point of security after the charges securing the 5¼ per cent. Debenture Stock 1976–81 and the 6 per cent. Second Debenture Stock 1978–83.

9. SUBSIDIARY COMPANIES AND GROUP BALANCE SHEET

	1961	1960
	£	£
Investments in Subsidiary Companies comprise:		
(*a*) Shares as revalued at par value of Issued Share Capital	1,000,000	1,000,000
Deduct: Amount due by Parent Company	1,000,000	1,000,000
	—	—
(*b*) Shares, at cost	5,000	5,000
	5,000	5,000

A Group Balance Sheet has not been prepared as Subsidiary Company (*a*) has neither assets nor liabilities other than the amount due by the Parent Company, whilst the investment of £5,000 in Subsidiary Company (*b*) is represented at 30th September, 1961, by £1,824 cash at Bankers and £3,176 due by Parent Company. Neither of the Subsidiary Companies was trading during the year.

10. CAPITAL EXPENDITURE

The estimated amount of Capital Expenditure outstanding at 30th September, 1961, as authorised by the Directors, is £3,750,000.

11. CONTINGENT LIABILITIES

There are Contingent Liabilities in respect of amounts uncalled on Trade Investments principally in connection with British Ore Investment Corporation Limited, amounting to £1,023,887, and Sundry Guarantees.

like £20 million on iron and steel production costs and the additional consequential increases for electricity and other consumables added £7 million. Another £11½ million was added by the wage increase and working hours alterations negotiated twelve months ago. With other items, including the increased cost of State insurance, he puts the industry's extra burden at £40 million a year, representing a steel production cost increase in excess of 35*s* a ton.

Complexities

All three chairmen state firmly that the Iron and Steel Board is acting far too much in arrear. Mr Judge points out that the 1 per cent increase in steel prices allowed in June 1961 was far less than the higher charges for coal and labour which the industry had already been carrying for more than six months. In fact, says Mr Judge, the selling price of beams and heavy sections (Dorman Long is very much in the heavy side of the industry) is actually 12*s* a ton lower than at the end of 1959. He maintains that the Board, in restricting the June 1961 price increase, must have been influenced by the high level of trade in heavy steel earlier in the year. At the same time, the Board suggested that by speedier technological advance, the industry could reduce costs.

On that point, the Board touches the industry's price. Mr Judge maintains that the industry has consistently shown a high degree of responsibility in striving for improvement in efficiency and productivity. In the last fifteen years it has absorbed a large part of the increased cost of raw materials and higher wages.

One thing the three chairmen's statements undoubtedly do is to highlight the difficulties in overall economic planning. The Iron and Steel Board is a Government-sponsored body which has to live with State-owned enterprise such as, for example, the National Coal Board. And a coal industry credit is a steel debit.

How the price-fixing problems will be resolved, the steel chairmen would obviously like to know. What will happen if Britain enters the Common Market, which has its own coal and steel regulating authority, is an added complexity.

CITY NOTES

THIS year is already living up to the popular forecast of a year of big-scale merger and take-over operations. The Courtaulds–I.C.I., Charringtons–United Breweries, British Shoe Corporation–Saxone Lilley & Skinner, and Consolidated Zinc–Rio Tinto operations have all come about in the first month of the year.

Only the Courtaulds–I.C.I. affair has developed into a take-over 'battle' as distinct from an agreed merger. The operations have a common theme in the alleged need to establish larger units in competitive industries.

Despite the trend towards industrial regrouping in the past decade, there is, of course, room for further development on those lines and possibly at an accelerated pace. Just as increasing competition and narrowing profit margins makes any individual company look more closely at its costs, so the two factors also tend to underline an industrial view that there is probably greater safety in fewer numbers.

For the stock-markets, news of major mergers provides escape from markets which singularly fail to develop any trend for any length of time. A week of rising prices is followed by a week of falling values without, apparently, any alteration in factors underlying the market position as a whole.

RATES AND PRICES

Closing prices, Wednesday, January 31st, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Nov. 24	£5 7*s* 9·40*d*%	Dec. 29	£5 8*s* 0·72*d*%
Dec. 1	£5 7*s* 1·08*d*%	Jan. 5	£5 8*s* 7·81*d*%
Dec. 8	£5 6*s* 5·34*d*%	Jan. 12	£5 8*s* 6·03*d*%
Dec. 15	£5 6*s* 4·83*d*%	Jan. 19	£5 6*s* 2·35*d*%
Dec. 22	£5 7*s* 3·18*d*%	Jan. 26	£5 4*s* 10·06*d*%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5½–5 9/16%
Fine Trade Bills		3 months	5½–5 9/16%
3 months	6¾–7½%	4 months	5½–5 9/16%
4 months	6¾–7½%	6 months	5½–5⅝%
6 months	7–8%		

Foreign Exchanges

New York	2·81⅛–3/16	Frankfurt	11·23⅝–⅞
Montreal	2·94⅛–⅜	Milan	1745¾–6¼
Amsterdam	10·16–¼	Oslo	20·03¾–04¼
Brussels	139·97¼–¾	Paris	13·78⅛–⅜
Copenhagen	19·35¾–·36¼	Zürich	12·13¾–·14

Gilt-edged

Consols 4%	59⅝	Funding 3% 59–69	83⅛
Consols 2½%	39	Savings 3% 60–70	79 1/16xd
Conversion 5¼% 1974	92 5/16	Savings 3% 65–75	70 11/16xd
Conversion 5% 1971	91¼	Savings 2½% 64–67	85 7/16
Conversion 3½% 1969	85	Treasury 5½% 2008–12	86 5/16
Conversion 3½%	53⅜	Treasury 5% 86–89	83¾
Exchequer 5½% 1966	98⅜	Treasury 3½% 77–80	70
Funding 5½% 82–84	90⅜	Treasury 3½% 79–81	68 15/16
Funding 4% 60–90	89¼	Treasury 2½%	39
Funding 3½% 99–04	58 1/16	Victory 4%	92⅜xd
Funding 3% 66–68	83⅞	War Loan 3½%	53 5/16

Inland Revenue Extra-statutory Concessions

In Operation at December 31st, 1960

We reproduce, by permission of the Controller of H.M. Stationery Office, Appendix X to the 104th report of the Board of Inland Revenue for the year ended March 31st, 1961, showing changes in the extra-statutory concessions, the full list of which was published in the Board's 103rd report and reproduced in 'The Accountant' of February 4th, 1961. The concessions are of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.

ADDITIONS TO THOSE PUBLISHED IN THE BOARD'S 103rd REPORT

INCOME TAX

35. Double Taxation Relief: Income consisting of royalties and 'know-how' payments

Payments made by a person resident in an overseas country to a person carrying on a trade in the United Kingdom as consideration for the use of, or for the privilege of using, in the overseas country, any copyright, patent, design, secret process or formula, trade-mark or other like property may in law be payments the source of which is in the United Kingdom, but are nevertheless treated for the purpose of credit (whether under Double Taxation Agreements or by way of unilateral relief) as income arising outside the United Kingdom except to the extent that they represent consideration for services (other than merely incidental services) rendered in this country by the recipient to the payer.

36. Annuities paid by approved superannuation funds

Where an annuity paid out of a superannuation fund approved under section 379 of the Income Tax Act, 1952, is, by virtue of a direction made under section 379 (2), assessable on the annuitant under Schedule E, relief for the standard rate tax which, but for the direction, would be deductible from the annuity is allowed against tax borne by the fund on its non-exempt income.

37. Capital allowances for agricultural buildings and works

For the purposes of the agricultural capital allowances under section 314, Income Tax Act, 1952, and of the agricultural investment allowance under section 16 (5), Finance Act, 1954, 'husbandry' is treated as including any method of intensive rearing of livestock on a commercial basis for the production of food for human consumption.

ALTERATIONS TO THOSE SHOWN IN THE BOARD'S 103rd REPORT

INCOME TAX

5. Maintenance of property

The part of the concession described in paragraph (*d*) was made statutory by section 72 of the Finance Act, 1960.

9. Management expenses

The part of the concession described in the first sentence of the second paragraph was made statutory by section 72 of the Finance Act, 1960. The concession should now read:

> 'Under sections 425 and 438 of the Income Tax Act, 1952, life assurance companies, etc., which are charged to tax on interest, etc., by deduction or otherwise, and not on profits under Case I of Schedule D, are entitled to claim repayment of tax on management expenses. The net annual value of premises owned and occupied for the purposes of such a business is also treated as a management expense.'

DELETIONS OF THOSE SHOWN IN THE BOARD'S 103rd REPORT

INCOME TAX

24. DOUBLE TAXATION RELIEF: DEDUCTION OF UNRELIEVED OVERSEAS TAX

This concession has lapsed as a result of the introduction by the Finance Act, 1958, of a uniform rate of profits tax which is not affected by the way the profits are applied.

STAMP DUTIES

6. CHEQUES

This concession was made statutory by section 74 of the Finance Act, 1960.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Training of Accountants

SIR, – Professor Baxter's article in your issue of January 20th, seems to be the first public evidence of concern for the future quality of accountants, and it is a great pity that this approach has had to come from outside the Institute.

Apart from one or two relatively insignificant new departures, and about the same number of ventures by education authorities, the training of accountants seems to stand where it was about forty years ago, and to depend on correspondence courses and evening study.

I am not aware of any other profession or trade in which the training of the young articled clerks, or apprentices, is so casually regarded by its council, and one may have the uncomfortable feeling that too much of the explanation lies in Professor Baxter's words 'if articled clerks are to attend day-time courses, this time will be lost to their employers'. The combination of practical instruction and day-time tuition given to engineering apprentices contrasts sharply with the out-of-date state of things among articled clerks in accountancy, although the Council of the Institute may regard it as adequate for the production of qualified audit clerks.

It would be a pity if the solution has ultimately to be sought outside action by the Council, but even that would be preferable to waking up to find that the solution is being sought outside the Institute.

Yours faithfully,

Hatton, Warwicks. J. E. ROWE, F.C.A.

SIR, – Professor Baxter's article (January 20th issue), referring to the academic side of an accountant's training brings up the question of those who are to teach. He says about the teacher, 'He should be a qualified accountant with sound experience.' I quite agree and expect no contradiction when I say that only practising members of the profession and those employed by them, will be receiving current experience and should be the best teaching material.

I cannot, however, visualize many practising accountants setting out to become professional lecturers as part of their normal work, due to the unfortunate lack of financial inducements.

A full-time lecturer employed by a university or a technical college receives a salary rising to £1,950 per annum (about a 1,400-hour year) – more if he is a senior in his department – but the professional accountant who must pay his usual office overheads is offered a remuneration of about 31*s* 6*d* per lecturing hour and nothing at all for the hours of preparation and travelling, or for his direct expenses.

The district society of which I am a member has for many years organized lectures for articled clerks and has paid lecturers at a much higher rate per lecturing hour. Even so, the net reward is inadequate compared with that received by a full-time lecturer or members of other professions.

The small remuneration is, I think, due to the following causes:

(1) Students expect first-class tuition at a low fee and the organizing body cannot afford to pay a proper remuneration to lecturers.
(2) Newly-qualified accountants whose need for money is urgent are encouraged and pleased to lecture, but as their financial position improves give up because it becomes no longer worth while. Consequently there never are any professional accountants who are also professional lecturers.
(3) Low rewards appear to be the accepted thing where practising accountants are concerned.

My remedy would be to pay the good lecturers very well and encourage the development of a professional, rather than an amateur, class of lecturer. This would necessitate a considerable increase in the cost to students, but if the scheme is ever to succeed someone will have to pay and it cannot continue to be the practising accountant working for a meagre reward.

Yours faithfully,

EX-LECTURER (F.C.A.).

SIR, – In his plea for higher standards of academic training for chartered accountant students, Professor Baxter is absolutely right.

The prestige of our profession will surely suffer in the second half of this century unless a high proportion of our members are university graduates.

The skills called for in all professions are becoming greater every day and accountancy is no exception. Members of the Institute, in addition to their professional work, supply a high proportion of industrial and commercial management. This situation will not continue unless tomorrow's chartered accountant is academically on the same plane as the graduate engineer, the lawyer, the physicist, etc.

Furthermore, the practising chartered accountant will find it hard to command the same respect that he has been used to when he finds himself dealing with clients whose businesses are managed by graduates, as will surely be the case.

Yours faithfully,

Greenford, Middlesex. L. R. PRICE, F.C.A.

Decimal Currency

SIR, – May I congratulate, through your columns, the correspondent who wrote on the subject of decimal coinage advocating the 'crown' as a basic unit (January 20th issue). Apart from the advantages of the scheme itself, the term is far preferable to 'rand', 'weal', etc.; in fact it would be reintroducing a coin

and word once in common use. It would also bring the United Kingdom into line with the Scandinavian countries who also have the 'crown' as their main unit and like ourselves are still monarchies.

Yours sincerely,

Cardiff. E. F. CHUBB.

SIR, – I think Mr Saxon has some useful suggestions (your issue of January 20th) – although if there is printed money in the case of the 'crown', we shall have 'walletfuls' of it – but why, oh why, must he use the terms dime, nickel and cent? There are several Anglo-Saxon (!) alternatives.

Yours faithfully,

K. R. P.

Dickensian Accountants

SIR,–Your contributor, 'An Industrious Accountant', is less than fair to Charles Dickens in Chapter 105 of his amusing adventures.

In *Little Dorrit*, a certain Mr Meagles, described as 'a retired banker of benevolent disposition', most certainly assumes the role of an investigating accountant when his friends Doyce and Clenham are considering entering into partnership. Let Mr Meagles speak for himself when he says in Chapter 23:

'Well, Clenham, this business-like obstacle surmounted, he then stipulated that before resuming with you I should look over the books and form my own opinion. I looked over the books and formed my own opinion. "Is it, on the whole, for or against?" says he. "For," says I. "Then," says he, "you may now, my good friend, give Mr Clenham the means of forming his opinion. To enable him to do which, without bias and with perfect freedom, I shall go out of town for a week." And he's gone.'

Mr Doyce's book-keeping proved to be peculiar, but in 'a certain honest rugged order', with the result that 'three or four days' steady application rendered Clenham master of all the essential facts'. He and Mr Meagles then agreed on the sum it would be fair to offer for a half-share in the business, and as this proved to be slightly more than the proprietor's own valuation, matters were soon concluded to their mutual satisfaction.

It was Mr Meagles, too, who later in the book acted in the accountancy role of a 'business doctor' when he rescued the partnership from the unfortunate results of Clenham's speculation in the bogus Merdle group of companies, and succeeded in putting it back on its feet.

Yours faithfully,

Leicester. R. C. V. TACEY.

ELECTRONICS IN THE OFFICE

Bank Mechanization

REPRESENTATIVES from United Kingdom banks and computer manufacturers attended a two-day symposium in London from January 17th – 18th on 'Electronic Aids to Banking', held under the auspices of The Institute of Electrical Engineers in co-operation with the Electronics Subcommittee of the London Clearing Banks.

Over the past year or two banks have installed their first computers and electronic cheque sorters, but a number of operational problems remain to be solved. The symposium enabled a valuable interchange of knowledge between bankers and electronic engineers. It is interesting to note that among the United Kingdom banks, Westminster Bank have ordered a Ferranti Pegasus data-processing system, Barclays an EMIDEC 1100 computer, Lloyds a computing system based on three IBM 305 RAMAC computers and the Midland, an English Electric KDP10. Criticism has been levelled at the banks for slowness on their part in making use of electronic computers. This is rather unfair, however, considering the complexity of the branch system and the security considerations involved in their work.

Accounting Aspects

In a paper entitled 'Accounting aspects of computer operations in banks', Mr R. Hindle, of Martins Bank Ltd, pointed out that the basic need for electronic aids in banking is in connection with the operation of customers' current accounts, but the fact that there were many other purposes for which such equipment could be employed should not be overlooked. This was a matter of time-sharing rather than job-integration. The current-account operation was fundamentally a very simple accounting process, but complications arose owing to the need for careful control and the need for protection against errors either accidentally or deliberately and fraudulently produced.

There were technical problems of input which required attention. Banks required machines which were capable of interpreting accounting data into a language that the computer could accept. If these machines were to be installed in the computer centre it would be necessary either to move the vouchers themselves from the receiving branches to the centre or to provide some intermediate interpretation. The former practice, he said, was essential in the case of automatic reading devices and the latter was frowned upon because it would increase the potential for errors. 'There are strong objections', Mr Hindle declared, 'to the movement of vouchers away from the receiving office, and this also implies slower methods of communication, which could severely limit the area covered by a centralized scheme and so perhaps inhibit the use of larger and more economic computers'.

Mr Hindle stated that the engineer who provided the equipment for banks and maintained it in operation should understand the very different nature of commercial, and especially banking, needs as compared with scientific needs. He should not be misled into the belief that because the mathematical needs were simple the operation was simple. The complexity of input and output requirements and the number of variants needed in the internal processing would make the programming demands intricate and extensive.

The banks, he said, had exhibited their faith in the application of computers to their work and though in these early days there was some divergence of views as to the methods to be adopted, there was also a spirit of co-operation between the banks.

Links between Branches

Mr J. G. Sauvage, of Barclays Bank Ltd, commenced his paper on branch communications by stating that there were two main reasons for banks wishing to avail themselves of advanced techniques in communications. The volume of work in all banks was increasing: more people were opening banking accounts and those who already had accounts were using them more. If the payment of wages by cheque became an established practice the increase in business would be greatly accelerated. The second reason, he said, was the advent of very much faster methods of data processing, which required rather more work than was contained in a single branch to make for economic installation. The centralization of at least the ledger work appeared to be the only answer. Whilst centralization gave the banks the opportunity of employing large-scale electronic data-processing systems, it also presented them with a new problem – communication between branch and centre, getting information to the computer and maintaining an adequate flow of information back to the branches.

After a brief description of some installations of communication equipment in his own bank, Mr Sauvage dealt with the links between branches and a central book-keeping unit.

If ledger-posting information, he said, was punched on to cards at the branches it was possible either to send the cards to the centre, or to use telepunch equipment and duplicate the branch cards over a telegraph line to the centre. Similarly, if the ledger-posting details were punched on to paper tape, the tape could be transported to the centre or could be transmitted over line.

> 'We have been working on an information-transfer system of this kind for some years. First we were using tape-to-card and card-to-tape equipment associated with standard Creed equipment and developments led us to our present position, where we have a computer installation at the centre of a telegraph network.
>
> 'In our branches we are punching five-channel paper tape as a by-product of a journal operation. Into this tape the information necessary for ledger posting is punched. This entails a brief description of the item, a cheque serial number or a symbol to indicate a non-cheque item, the customer's account number and the sterling amount of the item together with an indication of whether it is a debit or a credit to the account. This tape is fed through a standard teleprinter circuit and a duplicate tape is re-perforated at the centre, to form the input to an electronic data-processing system.
>
> 'As output from the computer we are using a high-speed tape punch and transmitting the information over the lines again to operate character-at-a-time printers in the branches.'

Mr Sauvage said that, with present banking routines, the cheque itself is the authority to debit an account and there was not a great deal of advantage in sending information long distances without the authorization. The possibility of transferring funds about the country on a sort of telegraphic transfer basis should not be entirely ignored, however; there had been very considerable changes in the last few years in banking and there would doubtless be greater changes in the future.

Document Handling and Character Recognition

In a paper dealing with character recognition, Mr L. Temple, of Lloyds Bank Ltd, said that the popular concept for some years was that the cheque would one day carry some form of positional coding to indicate the branch on which it was drawn, and automatic equipment in the clearing departments would sort the cheques to code order prior to dispatch to branches. This requirement, he remarked, was coincident with the development of reading, on the basis of shape recognition by either optical or magnetic means, characters which may be described as 'exaggerated' arabic in style. The particular choice of style to be used as a standard had become known as the 'common language'.

After dealing with the decision of the London Clearing Banks to adopt the American Bankers' Association stylized characters, known as E-13B, with the characters to be printed on cheques in magnetizable ink. Mr Temple went on to say that the magnetic ink character-recognition programme represented a collective act of faith by the banks to the benefit of automatic document handling and ultimately book-keeping. He added:

> 'We may enjoy the benefits of magnetic-ink character-recognition to a far greater degree than the United States does because of our more highly integrated clearing system. We shall never reach the stage where every small branch imprints the magnetic amount on cheques it collects, but this could well be done in regional centres if not in the main clearing departments.'

Communications Aspects

Messrs A. C. Furneaux and P. R. Morrison, of Creed & Co Ltd, said in a paper on communication aspects, that when contemplating the problems of data

processing, one of the major aspects to be considered was that of communications.

Apart from the necessity to provide very high-speed transfer of data, it was important, the authors said, to consider ways and means of detecting and correcting errors that inevitably find their way into any system. There had been many successful methods developed to ensure that original information is transposed into a suitable error-free form for transmission to distant data-processing centres, where it may be fed directly into computers without further human reprocessing. This, they said, had involved the development of new electrical codes in which particular attention had been paid to more logical combinations that may be automatically checked at various points in the system, to ensure that no errors are fed into the data-processing equipment. Present trends in this field appeared to favour perforator paper tape as a medium for the production of data in a suitable form both for transmission and as input and output for the data-processing equipment. This was because paper tape is cheap, can record information in a visible form that operators could read, and also provided a permanent record that may be easily stored for long periods.

The authors concluded by saying that experience during the past few years had shown that standardization of equipment was not at present entirely practicable since every system had to be individually designed to suit each organization, and it was of major importance to plan a system on an overall basis rather than to build it around a computer.

Television Document Transmission

Messrs I. M. Waters and J. W. Gamble, of Pye T.V.T. Ltd, described how television is used in banking where a reasonably detailed picture is wanted immediately over a not excessive distance, for direct viewing rather than for producing a permanent record. The application of television in this field resolves into two parts: the provision of 'equivalent' that will convey the data in sufficient detail, and the transmission of the signals from point to point economically.

Examples in banking, they said, were the distribution of information from a central office to sub-branches, and the certification of the signatures of cheques presented at the sub-branches by comparison with specimen signatures at the central office.

A typical bank installation was in Manchester where three branches of a bank are connected to the central office by Post Office equalized coaxial tube. Customers wishing to study their statements do so on a fourteen inch picture monitor in a small private room.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The Institute is to hold a banquet in Guildhall (by permission of the Corporation of London) on the evening of May 3rd, the day of the Institute's annual meeting. Members of the Government and representatives of overseas accountancy bodies are being invited. As accommodation is limited, however, it will not be possible on this occasion for members to bring their ladies or other guests.

Notices regarding the banquet have been circulated to members with a reply card which is required to be returned by *February 28th*. There will be a ballot for places in the event of applications exceeding the seating capacity.

PROFESSIONAL NOTICES

MESSRS MIDGLEY, SNELLING & CO, Chartered Accountants, of London, and Messrs ALBERT HILL & CO, Chartered Accountants, of Douglas, Isle of Man, announce that they have entered into partnership and formed an Isle of Man firm which will practise at Kensington House, Rosemount, Douglas, Isle of Man, under the firm name of MIDGLEY, SNELLING, HILL & CO, Chartered Accountants.

MESSRS E. A. RADFORD, EDWARDS & CO, Chartered Accountants, of 52 Brown Street, Manchester 2, announce that on January 31st, 1962, Mr GERALD WHITTAKER, F.C.A., retired from the partnership after forty-five years' continuous full-time service with the firm. He will still be available for consultations with his old clients by appointment. Mr D. A. SUTHERLAND, A.C.A., a senior member of the staff, who served his articles with the firm, has been admitted as a partner as from February 1st, 1962. The practice will continue to be carried on under the same style.

MESSRS NORMAN F. KIRBY & CO, Chartered Accountants, of 3 Church Street, Colchester, announce that Mr WILLIAM MARSHALL, F.C.A., has been taken into partnership. At the same time Mr NORMAN F. KIRBY, F.C.A., retired as a partner, but has agreed to be available for consultation.

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IRON AND STEEL BOARD CHANGE

Mr R. W. Foad, F.C.A., Director of Finance of the Iron and Steel Board, has been appointed Executive Member of the Board in succession to Sir Robert Shone, following Sir Robert's appointment as Director-General of the National Council for Economic Development.

ACCOUNTANT M.P. NOT TO SEEK RE-ELECTION

Mr Geoffrey Stevens, F.C.A., Conservative Member of Parliament for the Langstone Division of Portsmouth, has decided not to seek re-election owing to increasing deafness. Both his father and brother suffered from deafness from a comparatively early age, and Mr Stevens has advised the executive committee of the local Conservative Association that it is clear that he cannot continue his Parliamentary work.

A partner in the firm of Pannell, Crewdson & Hardy, Chartered Accountants, of London, Mr Stevens was first-elected in 1950 and increased his majority at each succeeding election. He is Chairman of the Income Tax Payers' Association.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

President's Luncheon Party

The President of the Association, Mr G. L. Barker, F.A.C.C.A., gave a luncheon at the House of Commons last Tuesday. Among the guests were:

The Rt Hon. Richard Wood, M.P. (*Minister of Power*); Mr Anthony Barber, M.P. (*Economic Secretary to the Treasury*); Mr P. E. O. Bryan, D.S.O., M.P. (*Parliamentary Private Secretary to the Minister of Defence*); Sir Donald Kaberry, M.P.; Mr Maurice MacMillan, M.P.; Mr J. E. Ramsden, M.P. (*Parliamentary Under-Secretary of State for War*); Mr W. J. Taylor, C.B.E., M.P. (*Parliamentary Under-Secretary of State for Air*).

The Rt Hon. R. H. Turton, P.C., M.P.; Mr Marcus Worsley, J.P., M.P. (*Parliamentary Private Secretary to the Minister of Health*); Messrs William Clark, M.P., F.A.C.C.A.; M. Coulson, M.P.; J. Hiley, M.P.; G. A. N. Hirst, M.P.; John Howard, M.P., F.C.A.; T. P. G. Kitson, M.P.

The Lord Latham, J.P., F.A.C.C.A.; Messrs C. B. Longbottom, M.P.; J. H. Osborn, M.P.; G. W. Proudfoot, M.P.; Colonel Sir L. Ropner, M.P.; Messrs M. N. Shaw, J.P., M.P., F.C.A.; Geoffrey Stevens, M.P., F.C.A.; Colonel Sir Malcolm Stoddart-Scott, M.P.; Mr A. Tiley, M.P.; Major P. H. B. Wall, M.P., and Mr J. Winning.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

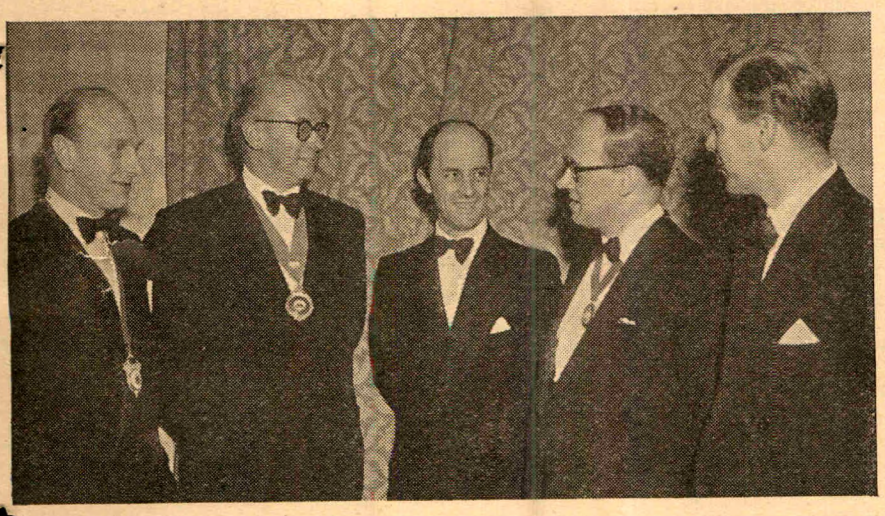
President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr F. M. W. Hird, F.C.A., F.C.W.A., gave a luncheon party last Wednesday at the Royal Station Hotel, Newcastle upon Tyne. Those present were:

Colonel E. G. Angus, C.B.E., M.C., T.D., D.L., J.P. (*Chairman, George Angus & Co Ltd*); Mr R. Barras; Mr H. A. Butler; Colonel R. T. Edwards, A.F.C., T.D. (*Managing Director, Caterpillar Tractor Co Ltd*); Mr J. Gerrard (*President of the Tyneside Chamber of Commerce; Managing Director, Wright Anderson & Co Ltd*); Mr E. J. Hunter, C.B.E., J.P. (*Chairman, Swan Hunter & Wigham Richardson Ltd*); Mr E. Jarvis; Mr W. S. Paulin (*Managing Director, Donkin & Co Ltd*); Dr W. Reid (*Chairman, Durham Division, National Coal Board*); Mr J. Shields; Mr R. W. Wilkinson; Mr Derek du Pré (*Secretary of the Institute*).

HUDDERSFIELD ACCOUNTANTS' DINNER

The annual dinner of the Huddersfield Branch of The Leeds, Bradford and District Society of Chartered Accountants was held at Whiteley's, Westgate, Huddersfield, on January 24th, and was attended by over 160 members and guests. The toast of 'The Institute' was proposed by Mr L. J. Russell, President of the Huddersfield Incorporated Law Society, and was responded to by Mr J. S. Heaton, F.C.A., President of the Society.



Pictured at the dinner are (*left to right*): Mr L. J. Russell, President, Huddersfield Incorporated Law Society; Mr G. D. Warrington, F.C.A., Chairman of the Branch; Mr I. F. Halliday, A.C.A., Chairman of the Huddersfield Students' Society; Mr J. S. Heaton, F.C.A., President of The Leeds, Bradford and District Society of Chartered Accountants, and Mr R. E. Hinchliffe, A.C.A., Honorary Secretary of the Branch.

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IN PARLIAMENT

South Africa: Double Taxation Agreement

Mr L. THOMAS asked the Chancellor of the Exchequer whether he will take steps to ensure that after May 30th, 1962, when the Republic of South Africa (Temporary Provisions) Act ceases to have effect, credit will be due to United Kingdom shareholders in a South African company for South African tax paid on the company's profits.

Mr BARBER: The draft of a revised double taxation agreement between South Africa and the United Kingdom was initialed in Cape Town by officials of both countries on January 15th, 1962 [*The Accountant*, January 20th, 1962, page 83]. The draft agreement contains a provision under which credit would be due to United Kingdom residents holding shares in a South African company not only for any South African tax deducted from dividends, but also for the appropriate part of the South African tax paid by the company on the profits out of which the dividends are paid. When this agreement has been signed it will be brought before the House of Commons for approval in the ordinary way.

Hansard, Jan. 23rd, 1962. Written Answers. Col. 14.

Income Tax: Excess Rents

Sir E. ERRINGTON asked the Secretary to the Treasury by what authority income tax inspectors apply for payments on account of tax due when assessments for excess rents have been appealed against and the amount due is not ascertainable until the end of the financial year.

Mr BARBER: Section 63 (2) of the Income Tax Act, 1952, empowers the General or Special Commissioners of Income Tax to make orders for payment on account of tax assessed under Schedule D notwithstanding that an appeal is pending. In practice agreement is normally reached with taxpayers for the payment of sums on account without application to the Commissioners for a formal order.

Hansard, Jan. 23rd, 1962. Written Answers. Col. 14.

TRUSTEE SAVINGS BANKS' CHEQUES SCHEME

The Trustee Savings Banks Association has put before the Government its latest proposals for a cheque scheme, in the light of discussions with the joint-stock banks.

The Economic Secretary has undertaken to consider the proposals and has agreed that the next step would be for the Government to discuss the matter with the joint-stock banks.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

List of Members

The *List of Members* of The Institute of Chartered Accountants in Ireland, now published, shows that membership at August 31st, 1961, numbered 1,710. An analysis of the membership is given below:

	Members in Ireland	*Members not in Ireland*
Fellows in practice	265	15
Fellows not in practice ..	17	12
Associates in practice ..	199	16
Associates not in practice ..	886	300
Total membership	1,710	

The new book contains the usual alphabetical and topographical lists of members, together with names of members of the Council of the Institute.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute, Moorgate Place, London EC2, on Tuesday, February 13th, at 6 p.m., when Mr J. A. Buckley, a director of A. W. Bain & Sons Ltd, Insurance Brokers, will speak on 'Insurance – some topical problems'.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The Accountants' Christian Fellowship monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, February 5th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The Scripture for reading and thought will be Acts, Chapter 1, verses 4 and 5 and Chapter 2, verses 1–13. (The baptism of the Spirit).

CERTIFIED ACCOUNTANTS

London Students' Society

A successful mock tax appeal was held at the Chartered Auctioneers' Hall on Tuesday, January 16th, when Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Assistant Editor, *Taxation*, presented the case for the Revenue and Mr M. T. S. Tuckwell, A.A.C.C.A., appeared as the accountant appellant in person. The roles of General Commissioners were played by Mr J. E. Harris, B.COM., F.A.C.C.A. (chairman), Mr E. H. Bridgwater, F.A.C.C.A., and Mr F. H. C. Betts, F.A.C.C.A. Students were presented with an excellent opportunity of witnessing an appeal based on the 'agency' cases.

The next meeting will be held on Tuesday, March 6th.

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ACCOUNTANT
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FEBRUARY 10TH, 1962 VOL. CXLVI. NO. 4547

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

CONTENTS

Page

The Next Step 141

Simplifying Income Tax 142

Profits Tax Avoidance: Methods and Revenue Counter-Measures
by *H. S. A. Macnair, F.C.A.* 143

The Training of Accountants 146

Taxes in the Common Market: An Exercise in Crystal Gazing
by *Alun Grier Davies* 148

Weekly Notes
Outdated Articles – Irish Institute's Examination–Plans for Incomes – American Capital Gains Tax – National Land Fund, 1960–61 – More Budget Advice – Higher Gold Reserves – Changed Base for Production Index 154

This is My Life . . .
by *An Industrious Accountant* 156

Finance and Commerce
Wolseley-Hughes Ltd – Lloyd's Packing Warehouses (Holdings) Ltd – City Notes – Rates and Prices 157

Correspondence
Trade Unions and Professional Auditors – The Training of Accountants – Hiring or Owning Cars? – Goodwill: Veterinary Practice 162

For Students
Share Certificates – II 163

Notes and Notices 164

The Institute of Chartered Accountants in Ireland
Results of November 1961 Examinations 168

The Next Step

NOW that the T.U.C. has consented, albeit reluctantly and belatedly, to join the National Economic Development Council, the first task of that body must be to formulate an acceptable policy on wages and salaries. If there existed any doubt that this would be the case, not least in the light of the T.U.C.'s letter to THE CHANCELLOR, it has been dispelled by the White Paper published last week (Cmnd. 1626) entitled *Incomes Policy: The Next Step*. The primary objective, states that document, must be to keep the rate of increase of incomes within the long-term rate of growth of national production, which in recent years has risen by about 2 to 2½ per cent per annum. The country ought, it is stated, 'to be able to do better than this, but on present trends it [i.e. production] seems likely to increase at about this rate in 1962'.

The CHANCELLOR's recent statement that the 'pay pause' will end on March 31st is affirmed, and as from April 1st effect will be given to those increases for civil servants that have been held over since last July. At the same time the pay of other Government employees will be reviewed. In the course of such a review, the arguments that have been used in the past to support wage and salary claims, e.g. cost-of-living increases, comparability with other workers, the trend of profits or productivity in a particular industry, the White Paper states, 'cannot in present circumstances be regarded as providing of themselves a sound basis for an increase'. In their place, negotiators will be expected to take account of the trend of the national product and 'other factors affecting the national economic situation'.

The Government is to publish regularly in convenient form 'factual information on wage rates, earnings, hours of work and conditions of employment, man-power, production, profits and other relevant subjects so that due weight can be given by all concerned to the considerations set out in this Paper at all stages of negotiation'.

The Government recognizes that arbitration has been a peaceful means of settling disputes and it attaches great importance to the maintenance of existing arrangements. Furthermore, 'arbitration only operates effectively if arbitrators continue to exercise, and are seen to exercise, complete independence in making their awards'. As the Government will require arbitrators to take into account all the relevant considerations set out above, it is a fair bet that the unions will hold differing views from the Government as to what constitutes independence. Unless wise counsels prevail, the prospects for industrial peace cannot be regarded as bright.

Simplifying Income Tax

IN his Budget speech in 1961 THE CHANCELLOR OF THE EXCHEQUER referred to the need for simplifying taxation. Later he promised (or threatened) a tax on certain kinds of capital gains but he resisted arguments for introducing the necessary legislation before the following Budget; his expressed reason being that the drafting would take time. It is well known that an author or draftsman can simplify a draft by careful and lengthy drafting. However, it seems that mere simplicity is not the object here. On November 7th the House of Commons were warned:

> 'that they will find it an exceedingly complicated matter when they come to it, but the draftsmen are drafting as quickly as they can'.

The Institute of Taxation, in its recommendations to the CHANCELLOR published this week, has put its finger on this divergence between the lip service which Ministers pay to simplification of taxation and their actual practice. Often enough we are promised legislation which sounds simple, but which appears in a highly complex form. It is depressing to be told in advance that the Government are deliberately introducing complications. The Institute makes two very powerful suggestions: firstly, that the imposition of the new tax, and the exemptions from it, should be expressed in the most precise terms; secondly, that the structure or incidence of the tax should be such that anti-avoidance provisions are unnecessary. The Institute warns against anti-avoidance provisions which involve the Inland Revenue and the appeal tribunals in consideration of what was the 'main purpose' or the 'main benefit' of a particular transaction. It also warns against legislation of the type appearing in sections 21–26, inclusive, of the Finance Act, 1960. We would strongly support this advice, but would still more fervently support advice that legislation of the type contained in section 28 of the Finance Act, 1960, should be avoided. It is almost impossible to advise a taxpayer with any confidence as to the effect of that section. This lack of confidence also appears to affect the Inland Revenue because it seems almost impossible to obtain a 'clearance' from them under section 28 (10).

The same Act of 1960, by sections 44–60, was supposed to simplify the income tax code concerning what is compendiously known as 'back duty'. The provisions as to penalties have certainly been tidied up, but what of the new provisions as to time limits for making assessments? As the Institute of Taxation says, the position before 1960 was reasonably simple: the Revenue had to make their assessments within six years, or prove either fraud or wilful default, when they could go back to 1936–37. The Institute attacks section 51 which provides for a complicated system of leap-frogging and is the antithesis of simplicity, and makes the reasonable suggestion that in the case of neglect falling short of fraud or wilful default there should be a fixed period (twelve years is tentatively put forward), during which the Inland Revenue could make assessments.

Turning from difficulties caused by complicated legislation, the Institute's memorandum takes up a difficulty caused by the somewhat laconic reference in the Income Tax Acts to 'machinery or plant'. The House of Lords decision in *Hinton v. Maden & Ireland Ltd* (38 A.T.C. 231) that knives and lasts used for boot manufacture were machinery or plant, and in particular some dicta of LORD REID, has given rise to further difficulties of interpretation. According to the Institute, the Inland Revenue have issued an instruction to H.M. Inspectors of Taxes as to the correct treatment of a large number of items, following the *Hinton* decision. This instruction or memorandum is not available to the public or the professions, which leaves taxpayers and their advisers in doubt as to the correct tax treatment of many classes of implements used in industry. The Institute makes the reasonable suggestion that the memorandum be published.

The Institute repeats its earlier suggestions of a current-year basis of assessment and of the abolition of Schedules A and B. It argues that the provisions for error or mistake relief (as compared with the provisions for additional assessment) are unfair to the taxpayer. Finally a suggestion is made as to estate duty: stock exchange securities should be valued not as at the date of death but at the date of obtaining representation or two months after the death, whichever is earlier.

Profits Tax Avoidance

METHODS AND REVENUE COUNTER-MEASURES

by H. S. A. MACNAIR, F.C.A.

THE recent spate of anti-avoidance legislation in the income tax field has perhaps obscured the existence of rather more sweeping measures introduced ten years ago to deal with profits tax. At that time Parliament invested the Commissioners of Inland Revenue with discretionary powers to enable profits tax avoidance schemes to be nullified. Section 32 of the Finance Act, 1951, provided, in relation to transactions not completed before April 10th, 1951, that where the Commissioners are of opinion that the main purpose or one of the main purposes for which any transaction or transactions were effected was the avoidance or reduction of liability to profits tax, they may if they think fit direct that such adjustments shall be made as they consider appropriate so as to counteract the avoidance or reduction. In general, such adjustments concern the charging to profits tax of persons who, but for the adjustments, would be chargeable to a lesser extent or not at all.

Main Purpose of Transaction

Evidently the first point calling for clarification is the expression 'main purpose or one of the main purposes' for which any suspect transaction may have been effected. A recent case of interest in this connection is that of *Ackland & Pratten Ltd v. C.I.R.* (39 A.T.C. 180). In the High Court it was observed that the provisions in section 32 of the Finance Act, 1951, reproduce almost verbatim similar provisions in the excess profits tax legislation. In the interpretation of the latter guidance is available from the decision in *Crown Bedding Co Ltd v. C.I.R.* (25 A.T.C. 9; 34 T.C. 107) in which Lord Greene pointed out that the test to be applied is the objective test: would a reasonable man in fact expect that the main benefit which would accrue from these transactions would be the avoidance of tax?

In evaluating this test it may perhaps be helpful to recall the substance of the case as summarized in the findings by the Special Commissioners on appeal which read as follows:

> 'In May 1941 three directors of a controlling company sold to that company their shares in a subsidiary company and the question to which we have to find the answer is which benefit could at that time be reasonably regarded as the greater, the tax benefit or the commercial benefit. The special difficulty . . . is not the comparative greatness of the benefits which we must consider but their comparative smallness. We hold that this appeal fails because while we accept Mr Cooke's evidence that the prospect of a tax benefit was small the prospect of a commercial benefit was still smaller, so small indeed as to be practically negligible.'

Probable Benefit

The commercial benefit referred to was that to be expected from the elimination of the minority shareholding. Part of Lord Greene's judgment was taken up with the question as to whether a mere possible tax benefit latent in the unfolding of future events could be equated with a more probable immediate benefit such as might satisfy present expectation. Lord Greene observed:

> '. . . the question of probability or possibility is a matter really which can be considered as resembling a scale. At the top of the scale is certainty. At the bottom of the scale is improbability so extreme that no sensible person would ever take it into account. But, subject to that, the precise point on the scale at which you can say that a thing is probable rather than possible and the precise point at which you can say that a probability falls to the level of a mere possibility depends on the view taken by a hypothetical observer. It seems to me that it is quite impossible to put on the word "expected" the sense that a hypothetical observer must have had that degree of confidence in the future as to expect that the benefit would materialize.'

The case of *Ackland & Pratten Ltd* concerned a company which in the view of the Commissioners sought to take advantage of the decision in *C.I.R. v. Pollock & Peel Ltd* (36 A.T.C. 105; 37 T.C. 240). However, since the transactions in question concerned the problems of profits tax as constituted prior to March 31st, 1958, the detailed circumstances need not concern us. In the High Court the test enunciated by Lord Greene was applied, leading to an affirmative conclusion expressed in these terms:

> 'it was not a certainty but it was to my mind more than a possibility. It was indeed a probability'.

Deeming Provisions

In weighing the balance of probabilities the task of the Commissioners is facilitated by certain deeming provisions contained in section 32 of the Finance Act, 1951. These provide that the avoidance or reduction of liability to profits tax may be deemed to have been the main purpose or one of the main purposes of transactions involving the following types of operation:

(*a*) the transfer or acquisition of shares in or debentures of a company;
(*b*) a change or changes in the person or persons carrying on a trade or business;
(*c*) a change or changes in the directors of a director-controlled company.

For these provisions to apply in a particular case it is sufficient to show that, having regard to the state of the law at the time, the main benefit which might have been expected to accrue from the suspect transaction in the three years immediately following its completion was the avoidance or reduction of liability to profits tax. It may be mentioned here that there are three main classes of transactions which are not within the scope of the section. These are:

(1) the failure to pay dividends or the payment of inadequate dividends;
(2) the issue of debentures for full consideration paid in cash (this exemption does not extend to the case of a director-controlled company);
(3) a transaction requiring permission under section 468 of the Income Tax Act, 1952 (removal abroad), in respect of which Treasury consent has been obtained.

It is perhaps worth noting that the first two exemptions concern steps that might have been taken to reduce the incidence of profits tax under the two-tier system in force up to March 31st, 1958, while the third exemption is complementary to section 468 (originally section 36 of the Finance Act, 1951).

Direction by Commissioners

On making a direction, the Commissioners are required to specify the transactions giving rise to it and the adjustments which they consider appropriate. Their power to make necessary adjustments is unrestricted save by the taxpayer's right of appeal to the Special Commissioners and from them to the tribunal appointed under section 28 (7) of the Finance Act, 1960.

It will be recalled that in connection with surtax directions, taxpayers who apprehend that they may be within the scope of the legislation may apply for a clearance. A similar opportunity exists in the case of profits tax directions. The company concerned may supply the Commissioners with particulars of the transactions effected or to be effected whereupon the Commissioners, if satisfied that the transactions as described to them have been or will be entered into for bona fide commercial reasons and are such that no direction ought to be given by them, are required to notify the company accordingly. On the giving of such a notification their powers to make a direction cease, subject to the proviso that the particulars supplied are such as to make full and accurate disclosure of all facts and relevant considerations which are material. Moreover the Commissioners' power to give a direction is not restricted where the transactions in respect of which clearance has been obtained represent only part of a transaction or series of transactions.

Right of Appeal

The right to appeal against a direction is conferred by subsection 32 (7) and the procedure to be observed is governed by the regulations applicable to profits tax appeals generally. In this connection there is an important distinction between the procedure followed in connection with excess profits tax appeals. Under the legislation relating to the latter, the whole burden of justifying a direction rested with the Commissioners (*Dixon & Gaunt Ltd v. C.I.R.* (26 A.T.C. 106; 29 T.C. 289)). The profits tax appeal rules, however, follow those for income tax so that the appellant is under the obligation of opening the proceedings and putting forward the evidence on which he relies. In the face of the appellant's contentions the Commissioners must then justify their direction in the ordinary way.

It will be apparent from the foregoing that the introduction of the single rate of profits tax has modified the potential scope for avoidance. The possibilities which remain may be grouped under the headings: abatement and directors' remuneration. The following examples give some indication of the scale of savings possible where two companies are incorporated in place of one in a case where formation is carried out in order to take over an expanding business from a sole trader or partnership.

Example I – Business taken over from sole trader

The first table sets out the figures for the first

four years where a single company is incorporated with the trader as working director:

Profits before charging director's remuneration (1)	Director's remuneration: Actual (2)	Director's remuneration: Allowed (3)	Profits after charging director's remuneration (4)	Abatement (5)	Profits chargeable (6)
£	£	£	£	£	£
5,000	3,000	3,000	2,000	2,000	Nil
10,000	4,000	3,000	7,000	1,000	6,000
15,000	5,000	3,000	12,000	—	12,000
20,000	6,000	3,000	17,000	—	17,000
£50,000	£18,000	£12,000	£38,000	£3,000	£35,000

Assuming that the profits arise from two departments, Alpha and Beta, the profits from which increase at the rate of £2,000 and £3,000 per annum, respectively, the effect of incorporating two separate companies appears from the following table:

Alpha Ltd

Profits before charging director's remuneration (1)	Director's remuneration: Actual (2)	Director's remuneration: Allowed (3)	Profits after charging director's remuneration (4)	Abatement (5)	Profits chargeable (6)
£	£	£	£	£	£
2,000	1,000	1,000	1,000	1,000	Nil
4,000	1,000	1,000	3,000	1,800	1,200
6,000	2,000	2,000	4,000	1,600	2,400
8,000	3,000	3,000	5,000	1,400	3,600
£20,000	£7,000	£7,000	£13,000	£5,800	£7,200

Beta Ltd

Profits before charging director's remuneration (1)	Director's remuneration: Actual (2)	Director's remuneration: Allowed (3)	Profits after charging director's remuneration (4)	Abatement (5)	Profits chargeable (6)
£	£	£	£	£	£
3,000	2,000	2,000	1,000	1,000	Nil
6,000	3,000	3,000	3,000	1,800	1,200
9,000	3,000	3,000	6,000	1,200	4,800
12,000	3,000	3,000	9,000	600	8,400
£30,000	£11,000	£11,000	£19,000	£4,600	£14,400

It will be seen that the additional abatement of £7,400 obtained by the use of two companies compares favourably with the secondary advantage obtained by the use of two standards of director's remuneration which reduce the chargeable profits by £6,000. In this case, therefore, the additional expense of running two companies in place of one would be compensated for by a saving of profits tax on £13,400.

Example II – Business taken over from partnership

The first table below sets out the figures applicable where the four former partners each own 25 per cent of the shares of the company in which they are full-time working directors:

Profits before charging directors' remuneration (1)	Directors' remuneration: Paid in equal shares (2)	Directors' remuneration: Allowed (3)	Profits after charging directors' remuneration (4)	Abatement (5)	Profits chargeable (6)
£	£	£	£	£	£
15,000	12,000	9,000	6,000	1,200	4,800
20,000	16,000	9,000	11,000	200	10,800
25,000	20,000	9,000	16,000	—	16,000
30,000	24,000	9,000	21,000	—	21,000
£90,000	£72,000	£36,000	£54,000	£1,400	£52,600

If, however, the company had been incorporated so that the shares were held as to 5 per cent by each director and as to 20 per cent by their wives or other near relatives, the company would not have been director-controlled and the remuneration would have been allowed in full (assuming that it was commensurate with the services rendered and satisfied the income tax test that it should have been wholly and exclusively laid out for the purposes of the company's trade (*Copeman v. Wm Flood & Sons Ltd* (19 A.T.C. 521; 24 T.C. 53)). In such circumstances the computation would have been as follows:

Profits before charging directors' remuneration (1)	Directors' remuneration: Paid in equal shares (2)	Directors' remuneration: Allowed (3)	Profits after charging directors' remuneration (4)	Abatement (5)	Profits chargeable (6)
£	£	£	£	£	£
15,000	12,000	12,000	3,000	1,800	1,200
20,000	16,000	16,000	4,000	1,600	2,400
25,000	20,000	20,000	5,000	1,400	3,600
30,000	24,000	24,000	6,000	1,200	4,800
£90,000	£72,000	£72,000	£18,000	£6,000	£12,000

This shows a saving of profits tax on £40,600.

In conclusion, reference may be made to the dicta of Lord Simon in *Latilla v. C.I.R.* (22 A.T.C. 23; 25 T.C. 107) regarding tax avoidance schemes:

> 'Judicial dicta may be cited which point out that however elaborate and artificial such methods may be those who adopt them are "entitled" to do so. There is of course no doubt that they are within their legal rights but that is no reason why their efforts or those of the professional gentlemen who assist them in the matter should be regarded as a commendable exercise of ingenuity or as a discharge of the duties of good citizenship.'

It will be appreciated, therefore, that the foregoing instances have been elaborated not in order to encourage artificial devices but with a view to eliminating pitfalls for the unwary.

The Training of Accountants

Reproduced below is the article from* Technology *to which we refer under 'Weekly Notes' on another page. The article is, of course, a highly critical and provocative one with which members of the profession will agree or take exception to, according to their lights. At any rate we feel it should be brought to their attention, as many are unlikely to see the publication from which it has been taken.

OUTDATED ARTICLES

From Our Own Correspondent

CHARTERED accountancy and law are the last two bastions of articled pupilage. For both it is a compulsory requirement for full professional qualification; in both it has come in for heavy criticism by students, educationists and practitioners; both are worried about it, both are considering modifications to it – and both are convinced that the system is basically sound.

In other professions where it formerly prospered, articled pupilage is weak, dying, or dead. In architecture it was once the principal method of training; now it is almost non-existent. Less than 10 per cent of chartered surveyors now enter articles, and in land and estate agency it has very nearly disappeared. About 40 per cent of chartered auctioneers are still trained in this way. In all these professions, articled pupilage is a voluntary system, which the student is free to accept or reject.

The system is, in theory, an admirable one. The pupil learns his profession directly from a skilled and experienced master. Practical experience is combined with personal tuition on the basis of a one-to-one teacher-student ratio. Above all the 'atmosphere' of a profession and its standards of conduct are communicated to the pupil in a way said not to be possible under any other method of training.

But this system demands a more leisured profession than nowadays exists. Principals no longer have time to instruct their pupils in person, and pass them off to other members of the firm or leave them to 'learn from experience': that is, learn what they can, how and when they can – if they can.

Wages for articled pupils are generally low and are sometimes not paid at all (one-third of all solicitors' firms do not pay their articled clerks). A non-graduate articled accountant, for example, may earn between £4 and £12 a week in London (less in the provinces) over the five years of his articles, and a graduate from £8 to £12 a week. A graduate fresh to industry can, by contrast, expect £700 a year rising to £900 at the end of a two-year graduate apprenticeship.

The Law Society has recently brought in new arrangements designed to give more emphasis to full-time instruction and to make the profession more attractive to graduates (about 50 per cent of the profession are now university-trained). The Institute of Chartered Accountants, about 10 per cent of whose members are graduates and whose students receive virtually no full-time or even part-time instruction, appointed a committee (the Parker Committee) in August 1958, to consider education and training for the profession. That committee reported in April of last year.

The Parker Committee were faced with a rapidly increasing demand, both in quantity and quality, for chartered accountants. New skills were needed, especially in the field of management accounting, the use of mathematical techniques and in the use of computers. Higher education was becoming no longer the preserve of money and privilege, but the right of all those who could benefit from it, and State aid was available for those who wanted to stay on to the sixth form and go to university.

In the context of this development of the accounting profession and of the new ideas current in the world of education, the Parker Committee's recommendations were profoundly disappointing. To attract more sixth formers, they recommended the reduction of articles to four years for school-leavers with two 'A' levels. To supplement private study and postal tuition, they proposed a full-time course of three weeks before each part of the examinations. Study leave should be increased to a minimum of twenty-six weeks; the maximum should stay at one year.

That was all. Day release? Impractical. Block release? Would cut too deeply into practical work. Sandwich courses? Never heard of them. Universities? Down with 'classroom' teaching 'except within the narrowest limits'. Better pay for articled clerks? The public should simply be told what the 'usual financial terms' are.

One must not underestimate the difficulties which the committee faced. The innate conservatism of the profession, the (justified) feeling that the Institute and its members stood in very high repute and the (unjustified) feeling that therefore there could be nothing much wrong with its methods of training, the bias against 'class-room' teaching, against the supposed intellectualism of the universities, doubts about the respectability of 'techs' and the feeling that 'what was good enough for my generation should be good enough for this one'; all these

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emotions (they hardly amount to arguments) stacked up the odds against educational reform.

Yet the Committee's recommendations still seem feeble. They recall nothing so much as the politician in the Feiffer cartoon representing the 'radical middle'. 'Bold times', he proclaimed, 'call for bold answers, within reason, in a manner of speaking, more or less. On the other hand. . . .'

What is the case against the Parker report? That it does nothing about the scandalously poor pay of articled clerks. It does almost nothing about the educational horrors of correspondence courses. It does not recognize the right of articled clerks to free time, free from heavy studying obligations. It does nothing to encourage, even seems to show contempt for full-time university or technical college education.

School leavers of some ability are unlikely to be content with the poor wages of articled clerks when they can earn their living in industry, and will not be content with correspondence courses when they can go on to the sixth form and university or college. By keeping the minimum qualification for entry to articles at 'O' level, the profession is not only lagging behind the solicitors and the architects (who have both just raised entry qualifications to two 'A' levels) but will be drawing in an increasingly poorer academic standard of entrant as more and more boys and girls stay on to the sixth form.

The Council of the Institute is now meeting to consider the Parker report. There will no doubt be some members who think the report goes too far. There may be some who think it does not go nearly far enough. It is very likely that the majority will believe that it represents a 'pretty fair compromise' between progress and conservatism. What they will adopt is unknown; what they should adopt are the following principles:

(1) The Parker report should be welcomed as a worthy piece of work which points out the direction in which education for the profession must move. It should be made clear that the Council consider that its recommendations are inadequate to meet the urgent educational and recruitment needs of the profession.

(2) The Council should recommend a minimum rate of pay for articled clerks which is genuinely competitive with industry and commerce.

(3) The Institute should consult with the Association of University Teachers of Accounting and representatives of the technical colleges as to how more recruits to the profession may be drawn from the universities and colleges. Some of the measures that should be seriously considered are: reduction of articles for graduates to two and a half years (as has been done by the Law Society), provision of more places at universities for full-time degree courses in accounting, arrangement of block release and sandwich courses at universities and technical colleges.

(4) A clear statement should be made that correspondence training is at best a necessary evil and should as soon as possible be made an unnecessary evil.

(5) A clear statement should be made that the time will soon come when entrants to the profession must have not less than two subjects at 'A' level.

The answer to these suggestions will no doubt be that they are impractical and expensive. Is it impractical to pay articled clerks a proper wage? Is the profit margin of accountants so narrow? If it is, the relatively small extra cost could be passed on to the clients without undue hardship. At present chartered accountants' clients are being subsidized by the parents of articled clerks.

Should more accountants be trained at universities? Can they be? The solicitors seem to find university training of their recruits both desirable and practical. So do the architects. So do the chartered accountants in almost every advanced country in the Commonwealth (including Scotland) and in the United States, where all accountants have first degrees and many have advanced degrees in accountancy. Is chartered accountancy to be the only profession which does not recognize the value of a university education?

Are block release or sandwich courses out of the question? The Law Society has its eight months' full-time course. The Scottish accountants send their boys to university for one year. The Parker report said that eighteen months' release from five years of articles (the suggestion of the A.U.T.A.) was impractical. The argument is not convincing. Even if it were, a longer period of articles with block release would certainly be an improvement on the present system of three to five years of articles with postal tuition.

Finally, one is entitled to ask, can the Institute afford *not* to take these measures? Can they afford to risk a future when their recruits will be drawn exclusively or mainly from the poorer academic levels of school leavers? Can they afford to keep a system which is quite unattractive financially and educationally to graduates? Can they afford to remain so isolated from the universities, so that the teaching of accounting is divorced from its practice, and practice divorced from research and development of new techniques?

What of articled pupilage itself? Has it a future? A medieval system in origin, it served its purpose well enough through to the nineteenth century. In the twentieth, office training as the core of a professional education is an anachronism. Practical experience of course is essential, but a learned and liberal profession must now take in recruits with a liberal academic education. This cannot be given in an office whose objects are, and must be, service to clients and the making of money – not education.

St Luke (a professional man himself) quoted a warning to lawyers: 'Woe unto you, lawyers! For ye have taken away the key of knowledge: ye entered not in yourselves, and them that were entering in ye hindered.' The Law Society is beginning to take heed. The Institute of Chartered Accountants must not wait too long before following suit.

Taxes in the Common Market

AN EXERCISE IN CRYSTAL GAZING

by ALUN GRIER DAVIES
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A JOURNALIST writing recently about the problem of prophesying the future of the Congo said that it was like trying to cut out a suit for someone you have never seen, who might be male or female, old or young, and who might require the suit for the Arctic Circle or for the tropics. Trying to prophesy the future shape of the fiscal policies within the Common Market is almost as difficult, but not quite.

Not quite, because in the last few years the Organization for European Economic Co-operation has really been operating as a sort of pilot plant for the European Economic Community. Most of the top Revenue officials of the European countries have been meeting regularly at Paris. Their visits to that delightful city have, it appears, enlarged their views on the facts of life.

The curious thing about the fiscal system of any given country is that its administrators always seem to think it is a wonderful structure. No matter how much a third party is inclined to denounce it as a Heath Robinson contraption which looks as if it was held together by faith and string, its inventors always defend it. They have built it up with loving care, and what may appear to its critics as basic flaws, are often defended as basic advantages.

Nevertheless, the work of the Fiscal Committee of the O.E.E.C. has brought together most of the European tax experts, and it must be confessed that the four reports of the committee have broken a vast amount of new ground over the last five years. The only comparable progress made was in the fiscal work done under the League of Nations which forms the basis of most of the huge network of double taxation relief treaties which now cover most of Western Europe in bilateral agreements.

The countries of the Common Market owe a great debt to the work of O.E.E.C., which has been the forcing house for the intensive work now going on in the E.E.C. to harmonize the complications of European taxation. It has been said of the work of the O.E.E.C. Fiscal Committee that its work

> 'particularly with regard to dividends, interest and royalties, has given member countries an opportunity to compare the effect of their legislation. Such a comparison could promote on certain special but essential points, a desirable harmonization of European legislation which will simplify the solution of double taxation problems and facilitate a complete elimination of double taxation'.

It should be noted that this value of comparison was stressed within the context of O.E.E.C., not the E.E.C. Who can doubt that the value within the narrower and more integrated field of E.E.C. will be considerably greater?

I have no doubt that the value of the preliminary work done by the Fiscal Committee of O.E.E.C. will have a greater impact on the harmonization of European taxation than any other factor. It represents perhaps the greatest achievement in the international fiscal field since Joseph sold his seven-year plan to Pharaoh. But while Joseph did it all by the interpretation of a dream, the O.E.E.C. had to achieve its results by fighting its way out of a nightmare.

And anyone contemplating the fiscal scene in Europe today must feel it has its nightmarish aspects. It might even be said that the task before the E.E.C. is to try and bring order into a fiscal madhouse. Taxes in Europe today operate under so many different rules. It reminds one of half-a-dozen games of chess going on together inside a lunatic asylum, with the players all busily engaged in improvising new rules as they go along. One is tempted to suggest that the best way to engineer a bit of progress would be to sweep off all the pieces and begin all over again. But that would be revolution, not harmonization.

Balance between Direct and Indirect Taxation

Let us pick at random just one of these different pieces which must somehow be brought together. The balance between direct and indirect taxation, for example; to begin with, there is the question of deciding the point at which the proper balance between these two forms of tax is reached. If social security contributions are ignored (and it is by no means unanimously agreed among the experts that they can be) then you get the following variations:

		Direct	*Indirect*
of total tax	United Kingdom	47	53
	Belgium ..	42	58
	Germany ..	39	61
	Italy ..	26	74
	France ..	24	76

The United Kingdom lays emphasis on direct taxation, and there is one school of thought which attri-

A paper presented at a two-day conference on 'The effects on British industry of entry into the Common Market', held in London on January 30th and 31st under the auspices of the College of Production Technology.

butes our slower rate of economic growth, together with that of Canada, to this very factor.

Next, I wish to look at national tax collections, inclusive of social security charges. The following figures are the costs of social charges borne by companies as a percentage of the national tax collections, including social charges: France 23, Netherlands 19, Belgium 19, West Germany 14, United Kingdom 6, Ireland 3, Sweden 3, Denmark Nil.

It will be seen that the cost to United Kingdom companies percentage-wise of national tax charges is very low. As a comparison, the following figures show the percentage costs outside Europe – Australia nil, Canada 5, U.S.A. 8. The percentage cost is thus seen to be heavier in the U.S.A. than in the United Kingdom.

I am not sure that our own fiscal system is so wonderful. We have terrific excise and customs duties on tobacco and alcohol which reflect the basically puritanical attitude of our legislators. An indirect system of taxation in purchase tax which is purposely designed in the first place to distort the pattern of consumption following the Whitehall prescription of the moment. A standard rate of income tax which is anything but standard, what with all the allowances that go in, come off and are changed from year to year; and when you can deduct tax from a divicend out of profits on which tax has never been paid. And a profits tax which seems to go up every time a Conservative Chancellor feels he must play to the Socialist gallery; which is now 15 per cent and effectively 24 per cent, because it has to be paid from a fund on which income tax has already been paid.

Changes in the Wind?

What is likely to happen to all this if we enter the Common Market? Can we hope for some common sense in a Common Market, so that the common business man can see some sense in it?

In my view, big changes will be made, and I do not think they will be long in coming. In 1959 Herr Etzel, the then West German Finance Minister, expressed the belief that harmony of taxation systems would be achieved within the twelve to fifteen years allowed for the Common Market to take full effect. In October 1961, at the Conservative Party Conference the Prime Minister, talking generally about entry into the Common Market, if not specifically about tax, said:

> 'It is a bracing cold shower we shall enter, not a relaxing Turkish bath. But that must be our experience whether we join or not. In or out of the Common Market, Britain in this decade must be prepared to face changes – in her industrial life and organization, some of them novel, many of them painful, but all of them in the long run salutary.'

Let's look for a moment at what the Treaty of Rome – the Bible of the Common Market – has to say about all this. Article 99 says that:

> '. . . The Commission shall consider in what way the law of the various member States concerning turnover taxes, excise duties and other forms of taxation . . . can be harmonized in the interest of the Common Market. The Commission shall submit proposals to the Council, which shall act by means of an unanimous vote. . . . '

It has been argued by lawyers that 'harmonization' does not in fact imply any need for reform of any part of national codes. That all that is necessary is to dovetail them so that somehow they are an apt arrangement of parts. In fact, during the whole of the life of the Benelux arrangement no effective changes were ever made in the various tax systems of the three member States.

Whether or not this is the dictionary definition, this is not true of what the E.E.C. thinks of the definition of harmonization. A great deal of intensive work is going on both on the indirect and the direct tax systems of Europe to see how their component parts can be matched into a single design. The present stage is the planning and research stage, and working parties are seeking out the essential principles which should govern the future course of the national tax codes within the E.E.C. Within the next twelve months a great number of reports will doubtless pour forth on all the problems involved.

It is interesting to note that it is only on the indirect taxes that the Treaty of Rome insists on harmonization. There is no similar article dealing with the harmonization of direct taxation.

Indirect Taxation

On the question of indirect taxation, those of you who are historically minded will recall that part of the administrative framework which Napoleon imposed on Europe was a certain uniformity of law. In fact Hitler effected a somewhat similar result, though in a narrower field. The turnover taxes of Germany were imposed on Luxemburg, Holland and Austria, and copied by Italy. So that there are four countries within the Common Market which have already a basically similar indirect tax system.

Unfortunately, this means that four of the Common Market countries are at present committed to the German turnover tax – a cumulative, multi-stage tax which most academic and scientific analysts in Germany appear to condemn. There is a current of opinion in Germany in favour of introducing the French idea of an added-value tax, evenly distributed through all the processes of production. It is pointed out that one of the pioneers of the added-value tax was in fact a German, von Siemens. Although it is unlikely that the German Government would wish to dismantle the turnover tax, which has been in operation since 1934, it would seem from reports coming out unofficially from the E.E.C., that the tax experts of the Commission recommend that the French added-value tax be adopted by *all* members of the Community as the basic source of indirect taxation. The European Fiscal Confederation, whose advice was sought on this matter, have just reached the same conclusion. It seems likely therefore that the

added-value tax will be eventually adopted in the whole of the Community.

Those who feel that it would be an advantage to see what is really the position of indirect taxation in Europe, and what is likely to be the shape of things to come, would do well to have a look at a study by Campet, made again under the aegis of the O.E.E.C. (it is surprising how at almost every turn one finds that the O.E.E.C. has piloted the course for further examination and co-ordination of European tax systems). The study was made by an *ad hoc* group of experts on fiscal legislation. The report, written by Charles Campet, is entitled *The influence of sales taxes on productivity* and is a masterly analysis of the indirect tax system of nine countries in Europe, including the United Kingdom. It has an interesting analysis of the United Kingdom purchase tax, which as Mr Campet points out is really a sales tax. He refrains from ascribing this peculiar nomenclature to our natural genius for eccentricity.

The French Added-value Tax

If and when the United Kingdom joins the E.E.C. does this mean that the purchase would have to be folded up in favour of a general tax on production – like the French T.V.A.? Some of the thinkers in the E.E.C. certainly seem to think so. The purchase tax, of course, deliberately sets out to have a distorting effect on consumption and therefore on the producers of the consumer goods which are struck at. It certainly seems to me to be incompatible with a Common Market, though there are views to the contrary. The whole emphasis of the French T.V.A. is to weigh heavily on labour-intensive industries and to weigh relatively lightly on industries that are capital-intensive.

The French added-value tax is a single general tax levied by means of fractional payments at each stage in the chain followed by a single product. If there is more than one firm in the chain, the tax paid on goods purchased is deducted from the tax payable on sales. The tax follows the product right through all processes of production to the wholesale stage.

The basic feature of the added-value tax is that tax is only payable on *added* value. It is therefore *not* a cumulative tax, and is the antithesis of the German turnover tax.

The deductions allowable at each stage are both *physical* and *financial*, i.e. for those incorporated in the product or destroyed in the course of manufacture and for goods used in manufacture, which are liable to depreciation. All invoices from suppliers therefore show net prices and the amount paid by way of tax.

The added-value tax applies to industry and commerce, but not to agriculture. Craftsmen are exempt from the tax. There are special provisions in the legislation to deal with associated companies, groups and so on. The rate for the tax is in normal cases 19·5 per cent. The tax is designed to be neutral in its effects on the economy – it is general; and it is at an uniform rate. It gives no distorting advantage to big integrated groups, as does the German cumulative tax. But it does give a shelter to craft industries, by giving preferential treatment to them. It is not as flexible an instrument for controlling consumption as purchase tax is. But then, this cannot be said to be a defect because the added-value tax was not designed for this purpose.

The possibility that in the Common Market the fiscal authority of the Mother of Parliaments will be subject to the checks of the Treaty of Rome is, of course, one of the main objections by those who see in the Common Market a derogation from national sovereignty. The prerogative of taxation is one of the most tightly held of the elements of national sovereignty. The continuing disputes between the Dominion of Canada and the Canadian Provinces and between the Australian Commonwealth Government and the Australian States show this up. It is therefore heartening or depressing, depending on one's personal reaction, to think that henceforth the decisions at Brussels will be a formidable factor in deciding the future fiscal policy of this country and of any other member of the E.E.C.

In the interim period before the Utopia of full harmonization of indirect taxation is ushered in, the E.E.C. countries must refrain in principle from making adjustments in their arrangements which provide for reimbursements of indirect taxes in respect of exports or charges on imports. There is a very rapid on-the-spot review of any modifications of existing arrangements suggested by member States – and the Commission has already taken action on changes proposed by Belgium, the Netherlands and Italy. These *ad hoc* 'checks' only serve to underline the fact that eventual harmonization is the final answer and that the present arrangements are merely a form of standstill procedure.

Perhaps it is an indication of the impetus with which the Common Market is forcing its members into each others arms that although the Treaty of Rome *nowhere* mentions the harmonization of the direct taxes, a great deal of thinking and reporting is going on in the E.E.C. on this problem.

Direct Taxation

All that is said in the Treaty of Rome about direct taxation is a vague reference in Article 100 that:

> 'the Council acting by means of an unanimous vote on a proposal of the Commission, shall issue directives for the approximation of such legislative and administrative provisions of the member States as have a direct incidence on the establishment or functioning of the Common Market'.

It goes on to say that after the necessary consultations under Article 101 there is to be a vote if there is disagreement on the consultations between member States, and that this vote is to be firstly on an unanimous basis, then on a qualified majority basis, prior to the issue of a directive by the Council on the subject.

This is all very vague, but it is interesting to note that in the thinking at Brussels at present, there are

indications that these Articles 100 and 101 are considered as potential means of harmonizing direct taxation. Whether the harmonization of direct taxes takes place by talk or by vote, the preliminaries are already under way, and if we go into E.E.C. the sooner British views are heard on the working parties the better.

British economists would probably argue that direct taxes don't enter into the cost of production. The views of the Colwyn Committee of 1926 on this question of shifting of the direct tax burden from production to consumption still seem to hold the day. I am not sure whether the entrepreneur has ever really shared this view, and continental thinking certainly seems to consider that variations between direct taxes distort the pattern of a Common Market.

Starting from this assumption, the working parties of the E.E.C. are looking at the rates of taxes, the systems of tax (whether in schedules or unified), the calculation of depreciation, the size of the tax base, the problem of holding companies, and the restrictions on capital movement, with the object of making recommendations for an ideal tax code to which member States can progress stage by stage.

What Future Framework?

Out of the mass of investigation and research going on amongst the 'Eurocrats' at Brussels, is it possible to envisage some kind of framework into which the direct tax systems of the Common Market must be fitted, including our own?

In this connection it is interesting to note that the President's speech of the Belgian group – Compagnie d'Outremer pour l'Industrie et la Finance – on November 23rd, 1961, was devoted almost wholly to a detailed analysis of the fundamental changes that would have to be carried out in the Belgian tax system in the context of the Common Market. He began his analysis with the statement that in order to make economic union effective, member States must so far as possible speak the same fiscal language. Since then we have seen the announcement of the proposed changes in the Belgian tax system, designed to bring it more into line with that of other Common Market countries.

The main interest will, I feel, be concentrated on the following features:

1. Uniformity of rates of tax.
2. Weight of social charges on industry.
3. The size of the tax base.
4. Treatment of capital gains.
5. Position of the shareholder.
6. Depreciation policy.
7. Valuation of stocks.
8. Treatment of overseas income.
9. Elimination of double taxation.
10. Tax morality.

I do not propose to examine all these points in detail, but it may be valuable to make a few comments on each.

In a common market it must, I think, distort competition if companies in one country are taxed at notoriously heavier rates than companies in others. The average reaction in this country is to imagine as a matter of course that business here is more heavily taxed than business on the Continent. On this point the National Institute of Economic and Social Research said in March of last year:

> 'Taxation in this country does not appear to be exceptionally heavy. The total burden is quite near to the European average.'

Prima facie, this seems to be quite untrue from our own experience, however limited. It is necessary, however, to bear in mind that while nominal rates may be heavier in this country, continental companies pay a much heavier proportion of the social security bill than do companies in this country. It seems to me that the continental burden of social security on business profits more than offsets the apparently heavier direct tax burden borne here. Anyone who doubts this statement can check its accuracy by the comparative figures submitted in the March 1961 number of the Review issued by the National Institute for Social and Economic Research. It may well be that any reduction of direct taxation which British companies may expect in the Common Market, will be more than offset by additional social security contributions and fringe benefits paid for on behalf of employees.

Most people in this country think we are the quintessence of the Welfare State. The continental worker is much better protected in several respects. The German and French workers in particular are better protected in several ways, and the financing of this protection is borne to a material extent by industrial costs.

Taxation of Capital Gains?

It is also necessary to bear in mind that whatever Selwyn Lloyd may have in store for this country by way of taxation on capital gains, British companies are now almost alone in Europe in not paying tax on capital gains, short term or otherwise. This arises by reason of the difference between United Kingdom and continental thinking on the amount of the tax base, i.e. the income on which the normal tax is computed. In the United Kingdom we are assessed on the pure income basis, subject to a few adjustments, in other words the profit and loss balance. By and large, the Continent favours the net worth concept, i.e. the balance sheet basis, in which the taxable amount is the increase in net worth of a company from year to year, less capital introduced, plus capital withdrawn. The continental basis thus automatically includes capital gains. In the United Kingdom, only such capital gains as are specifically deemed to be income, e.g. capital profits on sales of patents, are taxed. It is difficult to avoid the conclusion that in working towards harmonization with E.E.C. countries we shall have to submit to the inclusion of capital gains in the calculation of amounts to be taxed. It will

be recalled that the Royal Commission on the Taxation of Profits and Incomes which finally reported in 1954 recommended in a limited way that realized surpluses on sales of business assets should be treated as ordinary income and taxed accordingly.

We also tend to overlook, in Britain, that the shareholder's dividends are treated very tenderly as compared with the treatment of continental shareholders. Within several countries of the E.E.C., even dividends passing between companies are taxed over again, and while it is likely that inter-company dividends will become tax-free in the Common Market, continentals have long been used to the idea that a dividend emerging from a company constitutes another taxable source in the hands of the individual.

In the United Kingdom, of course, a dividend from a United Kingdom company to an individual is treated as franked, except for surtax. Quite apart from what the Common Market harmonized view on this may be, Selwyn Lloyd is known to favour a separate company tax. This would in any case probably involve the abolition of *income tax* on companies as such, with some corresponding upward adjustment in the profits tax, coupled with a withholding tax on dividends to individuals – which tax would be handed over to the Inland Revenue by the company collecting it.

I would not be surprised to find ourselves in this country faced with a company income tax of 25 per cent or 5*s* in the £1, coupled with a withholding tax on dividends of an equal amount, which companies would collect on behalf of the Inland Revenue and hand over. The present position of companies in this country is quite Gilbertian, because under the present system it is possible for a company to pay no tax at all because of, say, investment allowances, then pay a dividend out of profits, and deduct tax from it (which is not accounted for to the Revenue). Individuals can then if they have the necessary reliefs, and charities in any case, claim repayment of tax which has never been suffered. I hardly imagine that even the Revenue, which is naturally conservative and averse to change, would like to retain such a system indefinitely. A reform of the type I have indicated would also draw most of the teeth of the dividend-stripper, who basically works on the fact that tax is reclaimable from dividends.

It is only fair to say that there are currents of thought on the Continent which look very favourably at the treatment of dividends under the United Kingdom fiscal system, and especially the easy way in which it is possible to liquidate companies in this country without adverse tax consequences. I have heard one continental lawyer compare the continental experience on this matter to the apocryphal notice which appeared outside a certain continental circus: 'No charge for admission, but two marks payable when you leave'.

On the question of depreciation, we have got ourselves in this country into quite a mess. We have investment allowances that come and go; we have initial allowances that change regularly, and we have annual allowances that have to be adjusted by 25 per cent on the normal rate. The variations on the Continent are equally complicated, in the following ways:

(*a*) the base on which depreciation is given is different in several countries. Revaluation of assets is still allowed in France and Belgium. It has been allowed in the past in Germany and Italy;

(*b*) the method of write-off varies – some E.E.C. countries have the straight-line write-off method, while we favour the declining balance method. There seems to be a very widespread belief on the Continent that declining-balance depreciation as practised by the United Kingdom is superior to the straight-line basis. The ideal basis favoured on the Continent at present is the United Kingdom basis plus accelerated amortization;

(*c*) the type of asset on which depreciation is granted may vary. Here we restrict the assets on which allowance is given. No allowance is given on commercial buildings, for instance, while on the Continent the general rule is that any asset which diminishes in value is available for depreciation.

One must hope that harmonization of depreciation practice must emerge out of the studies currently being made by working parties in the E.E.C. Revalorization must disappear, as it was really a corollary of the serious inflation that took place on the Continent. We shall probably see that investment allowances will be given on the Continent as they are here, and that more accelerated depreciation is advocated throughout all countries in the Common Market. So far as this country is concerned, we shall have to arrive at a fiscal rule whereby *all* expenditure, whether on tangible or intangible assets, is by one means or another written off against taxable profits.

Stocks and Pigeon-holes

We have seen a rather hectic battle in this country over the treatment of stocks. The Revenue has not been uniformly successful in its cases, as the results in *Cock Russell*, *Broadstone Mills*, and *Duple Motor Bodies* show. But the treatment here of stocks is still too rigid and one may reasonably hope that the Common Market researchers will end by advocating more elasticity, so that concerns which prefer to use base stock methods or last-in, first-out may be allowed to employ them. We might recall here that the Royal Commission in 1954 advocated greater elasticity in the treatment of stocks, but its recommendation is still in some Government pigeon-hole.

Companies which draw part of their income from outside the U.K. will doubtless agree that the present system of allowing double taxation relief has become so complicated that it is almost at times incomprehensible. It is sometimes necessary to resort to the use of quadratic equations to find the answer. The system of allowing credit has become inordinately difficult to work in many cases, and because of the

variants of overseas taxes, has often failed in its primary object. Taxation of overseas income is generally more liberal on the Continent than here, and one hopes that harmonization in this field could be reduced to the simpler form of exemption used in France and Italy or the flat reduced rate used in Belgium.

In theory, once the national systems of taxation within the E.E.C. are harmonized, it might not be necessary to tax again income passing over the national frontiers within the E.E.C. But in practice it may be impossible to hope for such a desirable consummation within the foreseeable future, and where income passes over the frontiers, there may have to be a further development of bilateral treaties pending the exemption of such income outside the country where it has been earned.

On top of all this, one must face the fact that between countries like, say, the United Kingdom, Germany, and Holland on the one hand, and France and Italy on the other, there is a vast abyss between what tax law says and what tax practice and morality allows. It is fair to ask how it is possible to harmonize taxation systems till you have harmonized tax morality. This must remain an open question. I do not know the answer to it.

Delphic Oracle Department

Is it possible to attempt a forecast of the changes that may occur in fiscal policy, so far as it affects us? My guesses would be as follows:

(i) *Indirect taxes*

That purchase tax will go, and that in its place we shall have something like the French added-value tax coupled with a small retail sales tax.

(ii) *Direct taxes*

(*a*) That the rates will tend to coincide more with those of Europe, both for companies and individuals;

(*b*) that the base for assessment will be extended to include various types of capital gains, at least so far as companies are concerned

(*c*) that the main types of deductions such as depreciation, and the adjustment of stocks and treatment of losses will be made more uniform;

(*d*) that the tax relationships between companies and shareholders will be put on a more uniform basis.

(iii) *Social security*

My guess is that United Kingdom companies will be faced with a bigger bill to bring them in line with continental practice.

(iv) *Estate duty*

I have not touched on this in my paper because it has not yet, so far as I know, been effectively discussed by any of the Common Market committees of inquiry but I mention it because in my view there is a grave distortion of the Common Market if, in any one of the countries, industrial capital is removed by the State in large chunks on the deaths of individual proprietors or on the deaths of the main shareholders in private companies. There will be a drastic review of estate duty levies in this country within the next ten years.

(v) *Law of domicile*

This is likely to be an important matter for discussion in due course, especially as the law of domicile as applied in the United Kingdom is very different from that of the Common Market. Broadly speaking, the continental idea of 'domicile' is based on a person's 'home', and this idea is very close to the idea of 'ordinary residence'. There have been two abortive Domicile Bills introduced into Parliament within the last three years, ostensibly by private members. Both of them foundered because they did not take sufficient note of the fiscal problems which arise, because in the United Kingdom there is a community of individuals domiciled abroad, but perhaps ordinarily resident here. The authors of the Bills apparently did not consider the disastrous effects of these Bills on the foreign colony here, both for income tax and estate duty. Whether we shall see another Domicile Bill or not in the same series it is difficult to say, but it is clear that the Bills cut both ways – they will make life difficult for the foreign community here, but they will equally make avoidance of death duties by United Kingdom citizens much more possible. This is perhaps why the Inland Revenue might oppose a change in domicile basis. But the Common Market will introduce another complicated problem, and a decision will have to be taken within the next few years on whether we go into the Common Market with a law of domicile similar to that of the other members.

(vi) *Effects outside the Common Market*

Without a doubt, if the fiscal changes inside the Common Market go the way I have suggested they might, it will be the biggest fiscal revolution in civilized countries since the dawn of our history. The right to levy taxes in as curious a way as the national State may demand has been a feature of the history of the rise of every national State. Each country has chosen its fiscal laws in accordance with the national temperament. In this country we have had the window tax, the inhabited house duty, and the tax on liveried servants – all in fairly modern times.

If all the national idiosyncracies disappear and we are to have a harmonization, if not an unified European tax structure, it must have repercussions outside.

Just as the nation-States of the Commonwealth have to a larger or a lesser extent imitated our own fiscal policies, I expect other countries and other continents to follow the lead of Europe. For example, some of the fiscal studies in Canada at present are being conducted to inquire how Canadian trade is being stultified by heavier or more oppressive taxes than in Europe. Just as a stone in a pool throws out ever-increasing circles, I expect the changes in European fiscal policy to have harmonizing influences on similar policies in every other part of the world.

Weekly Notes

OUTDATED ARTICLES?

AN article in the February issue of *Technology* – a monthly review published by *The Times* – discusses articled pupilage, taking the legal and accounting professions as the main examples. The anonymous writer designated 'Our Own Correspondent' describes the familiar system by which chartered accountants are trained in England and Wales, and then fires some reverberating broadsides at the system which he calls 'medieval', and at the report of the Parker Committee. He concedes that the system is admirable in theory, but states that the wages paid to articled clerks are 'scandalously poor', while 'principals no longer have time to instruct their pupils in person' and so leave them to other members of the staff and 'the educational horrors of correspondence courses'. The Parker Committee's proposals are described as 'feeble' and 'profoundly disappointing'; they do not seek, the article states, to raise the minimum entrance qualification of articled clerks, or to provide the latter with free time for study, or to foster full-time education at technical colleges and the universities.

The writer of the article puts forward his suggestions as to how he thinks the Council of the Institute ought to react to the Parker Committee's report. He suggests they welcome the report as a 'worthy piece of work' which does not go far enough. He also sets out some of the difficulties that would face the Institute if it adopted his proposals, but he goes on to ask: 'Can the Institute afford *not* to take these measures? Can they afford to risk a future when their recruits will be drawn exclusively or mainly from the poorer academic levels of school-leavers?'

The article, which is reproduced elsewhere in this issue, is a forthright one and must be one of the most serious pieces of criticism to be levelled against the profession in recent years. It will no doubt evoke strong reactions among practitioners, some of whom may care to submit their views for publication.

IRISH INSTITUTE'S EXAMINATIONS

IN the Final examination (old syllabus) of The Institute of Chartered Accountants in Ireland held in November 1961 there were forty-three successful candidates. The First Place and the Arthur H. Muir Memorial Prize were won by Mr D. L. Hally, of Booterstown, Co. Dublin; the Second Place by Mr D. Delaney, of Dublin, and the Third Place by Mr J. J. Hayes, also of Dublin.

The names of the successful candidates, together with the names of the successful Irish candidates in Part II of the Final examination held under the syllabus of the former Society of Incorporated Accountants, are given elsewhere in this issue.

PLANS FOR INCOMES

THE Conservative Central Office has issued a popularized version of the White Paper *Incomes Policy: The Next Step* (referred to in a leading article in this issue). The main difference between the two documents is that the Party pamphlet sets out quite unequivocally the Government's policy for incomes.

It says that the Government aims to do three things. First, it hopes to achieve a faster rate of economic growth. Second, it wants to obtain a more vigorous development of the export trade. Third, it expects to achieve a steadily rising standard of living with full employment. The pamphlet says that this policy can secure a lasting and steady improvement in living standards but that the policy would be in jeopardy if money incomes were to rise faster than the volume of national production.

The pamphlet says the first phase in this policy is the 'pay pause' which is due to come to an end on March 31st. Thereafter the Government aims to have a period of restraint when wages, salaries, dividends and profits are measured against national output. It is probably more than a coincidence that the end of the pay pause coincides with the end of the fiscal year. The policy as a whole will clearly be vitally affected by this year's Budget when the Government will be able to announce both its own contribution by carefully controlled public expenditure and its taxation proposals for the new fiscal year.

CAPITAL GAINS IN AMERICA

IT is by now common knowledge that Somerset House is finding the task of implementing Mr Selwyn Lloyd's promise to tax speculative short-term gains far from easy. Both on the score of equity and on administrative grounds a capital gains tax offers especial problems. Some of these are very evident in the American tax which is discussed in a short discursive article contained in the current issue of *The Bankers' Magazine*.[1] As a revenue raiser, as is evident from the table below, the tax is distinctly disappointing.

	Estimated total receipts of tax on capital gains ($ thousand million)	Percentage of total individual and corporate income tax receipts
1958	2·0	3·7
1957	1·6	2·9
1956	2·0	3·7
1955	2·1	4·1
1954	1·6	3·7
1953	1·0	2·0
1952	1·1	2·3
1951	1·2	2·6
1950	1·2	3·3
1949	0·6	2·4
1948	0·8	2·9

1 'Lessons from America's Capital Gains Tax', by Ursula K. Hicks and Herschel I. Grossman.

If Mr Lloyd's tax were to produce the same yield in relation to the United Kingdom income tax, it would provide the Exchequer with less than the current stamp duties. The poor yield from the American tax arises in part from avoidance which the exemption of accrued gains on assets passing at death permits, and no doubt from the unwillingness of asset owners to liquidate much appreciated assets.

An especial feature of the American tax is the preparedness of Congress to regard the classification of income as capital gain, whereby it is taxed at a maximum rate of 25 per cent, as 'a convenient vehicle for granting tax relief for a variety of purposes to a variety of groups'. The authors point out that the present statutory definition of the short-term, i.e. six months, is too short to bring into charge all speculative gains which within that period are taxed as ordinary income. Congress is unwilling, however, to extend the period because it may then discourage the liquidation by genuine investors of assets which offer a substantial gain. This 'locked-in' problem which a severe rate of tax can create would exert harmful effects on the securities market. There have been various proposals in the United States for the introduction of tax-free 'rollovers', whereby any gain from realization is tax exempt if the proceeds are reinvested. The conclusion to be drawn from the article is that after nearly fifty years of experimentation, the Americans are still dissatisfied with their tax on capital gains.

NATIONAL LAND FUND IN 1960–61

THE National Land Fund was established under the Finance Act, 1946, empowering the Treasury, in cases where property is accepted by the Commissioners of Inland Revenue for payment of death duties, to pay from the Fund to the Commissioners the amount of the duties and to dispose of the property at their discretion. Under the Finance Act, 1953, the use of the National Land Fund was extended to allow for the acceptance of objects of historical or artistic interest. A section of the Historical Buildings and Ancient Monuments Act, 1953, enabled the Fund to be used for expenses incurred by the Ministry of Works on buildings of outstanding historical and architectural interest. A third extension was made in the Finance Act, 1956, when the Fund was extended to provide for the acceptance of works of art irrespective of their connection with a particular building.

The Fund was originally opened with an issue of £50 million from the consolidated fund in the fiscal year 1946–47 and this was reduced to £10 million by the cancellation of some of the Fund's investments in October 1957.

A sum of £246,000 is recorded in the present account as paid to the Commissioners of Inland Revenue for landed properties chattels associated with certain buildings, property transferred to the National Trust and placed on public view and chattels loaned or transferred to the National Trust for Scotland and placed on view to the public. £33,000 is recorded as paid to the Minister of Works for the expense of management and custody of properties. The total payments made from the Fund since it was established in 1946 have been £4·3 million. At March 31st, 1961, there were a number of cases where the Commissioners of Inland Revenue had agreed to accept property and chattels in consideration of death duties where the transactions were yet to be completed. The total involved was about £625,000.

MORE BUDGET ADVICE

IN a memorandum submitted to the Chancellor of the Exchequer on the coming Budget by the Incorporated Society of British Advertisers and the Institute of Practitioners in Advertising, the two bodies state that any tax on advertising must be a deterrent to the economical marketing of consumer goods and to the sales efficiency of British manufacturers. The existing television advertisement duty is of limited effect, and is, they believe, the first tax to be levied on productive services.

At best, the memorandum continues, such a tax must lessen efficiency and at worst, it amounts to an official discouragement of effective selling. This is particularly apparent in the case of a manufacturer wishing to enter an established market for the first time. His selling effort, in any event, is initially very costly and if, in addition, he has to pay tax on that selling effort he is seriously hampered.

Referring to the Common Market, they express the belief that manufacturers should receive the maximum encouragement from the Government to develop and sell their products with the greatest possible efficiency and economy. A tax on any part of advertising, they declare, must inevitably be a disincentive, just at a time when industry needs the greatest support to meet the fierce competition which the Common Market will bring. 'The case for the abolition of the television advertisement duty is a strong one and there is an even stronger case against its increase or extension', they conclude.

HIGHER GOLD RESERVES

IN January the gold and convertible currency reserves of the sterling area went up by £33 million to £1,218 million. Apart from a small decline in December this was the fifth successive advance in the reserves, excluding the repayments to the International Monetary Fund, since the emergency Budget introduced by the Chancellor of the Exchequer last July.

One of the reasons for the good performance of the reserves in January was the return of funds after the end of the calendar year which had been withdrawn, notably to the Continent, for 'window dressing' purposes. It appears that there has been a strong flow of funds back from Germany and the dollar has been comparatively weak again following

the announcement of the increased United States payments deficit in the fourth quarter of 1961.

The continued high interest rates in London are attracting short-term money for investment, and the opinion is growing that if funds are to come to London for short-term investment they must come soon in case Bank rate is reduced. In the longer term the upward trend of American interest rates suggests that funds are not likely to be committed to London for long periods. What actually happens to foreign funds will depend very much on the attitude which the Government takes in the approaching crucial stages of the negotiations for the wage increases in key industries.

CHANGED BASE FOR PRODUCTION INDEX

IT was announced last month that the monthly index of industrial production is now to be calculated on the base year 1958 instead of 1954. The purpose of the index is to show month-to-month changes in output and it is clearly desirable that an indicator of the short-term trend, as this is intended to be, should be kept up to date so far as the weighting of different industries is concerned. The detailed results of the full census of production in 1958 are now available and this is the reason for choosing that particular year as the new base. The last time the index had a change of base was in 1958 and before that in 1952.

This is My Life . . .

by An Industrious Accountant

CHAPTER 110

OUR board of directors recently assembled in confidential conclave to deliberate on a most momentous decision. The issue was grave – indeed crucial. What salary increases (if any) should the senior staff get?

It's been a liberal education to sit in on these board meetings. The directors have at their fingertips the history of the last decade's industrial disputes; they know the wage-claims, the strikes, the 'go-slows', the settlements in shillings and hours, and the rising cost of living. Our personnel director can assess the merits of a union demand and its chance of success (pay pause apart, of course) to the last halfpenny.

The chairman is of the older generation; his ideas of the value of money are outdated and he still thinks £50 is a generous rise. It's a change from the days when, as an auditor, I accepted unthinkingly the salary or wages books without question or study – provided they were signed by a properly authorized official.

But with our senior staff we come suddenly to uncharted territory. How do you assess the sales manager and his assistants, the factory manager and his deputy, the office manager, or the two chief departmental managers whose shrewd buying has contributed so much to our prosperity? What about our maintenance engineer with his flair for economical repairs, or my own senior accountants? What indeed about the company secretary? Hearing most of the others discussed, he knows the mind of the board; what they say of *him* in his absence is the eternal enigma.

The prospects vary. Some executives, like those in the sales departments and the factory, can be measured by the rough-and-ready figures of improved turnover or output; some, like the engineer, have scalps to be seen at their belts. He recently looked at a foundation collapse near the lift-shaft, for repairing which our architect had estimated an astronomical sum, and fixed it in ten days with his normal staff, by his own ingenious initiative. One departmental manager got an exceptionally big increase without a word of dissent; he's young, able and ambitious; he'll go elsewhere quick if we don't pay him enough. The other is too old to leave us; how much extra should he get for seniority and years of loyal service?

Then comes the turn of my senior accountants. Their case has to be fought hard; there's no yardstick for them. Our year's work has been efficient but not eventful; it hasn't made an impact on the directors; we had no dramatic crises to overcome. I quote 'happy is the country with no history', but the chairman doesn't get the significance. The deputy-chairman states bluntly that only operating staff should share in our enhanced operating profit; accountants rate comparatively nominal rises. I point out that if it wasn't for our brilliant credit-control, against stiff and ill-judged opposition, we'd have incurred some really nasty bad debts. This is tactless and rouses opposition. The directors aren't pleased with my attitude, but if I don't fight, we'll get nowhere.

Why didn't I keep a little private notebook when I was an auditor – black-covered, all codes and initials – giving details of salary ratios among our clients? So much for chief accountants, so much *pro rata* for managers of all grades; such proportions in manufacturing as compared with distribution or administration? If I could have my time over again, I'd equip myself for this type of argument. I fall back doggedly on the old principle that we should get the same average percentage rise as the others.

This time Prinny comes suddenly to succour us. He quotes jovially the analogy of the quaint old Chinese custom of paying the doctor when you're well and vice versa. The deputy-chairman finds this funny and starts chuckling; in the release from tension, our section does quite well. *Deo gratias.* As long as they don't remember our mistakes this time next year and cut our pay accordingly.

Finance and Commerce

Wolseley-Hughes

THE subject of this week's reprint is the accounts of Wolseley-Hughes Ltd of Birmingham (chairman: Mr N. G. Lancaster, M.B.E., F.C.A.), a company with diverse interests in engineering. The Wolseley part of the name covers Wolseley Engineering Ltd, with its sheep-shearing equipment etc., and which, if our recollection is correct, gave the name 'Wolseley' to the motor-car, and also had a connection with the 'Austin' of the motor-car world.

The Wolseley-Hughes grouping is of comparatively recent formation; it came about, in fact, on May 1st, 1958, by the amalgamation of Geo. H. Hughes Ltd with Wolseley Engineering. To this nucleus was added Adams & Benson (Agricultural) Ltd in January 1959; Rapid Magnetic Ltd, with its electro-lifting magnets in November 1959; Nu-Way Heating Plants Ltd, and its subsidiary, Oil Burner Components Ltd, in November 1960; and Accles & Shelvoke in April 1961.

Mr R. E. Woodward, F.C.A., director-secretary of the group, draws attention to one big drawback, information-wise, of the building of a group of businesses in this way: the audited accounts show an apparent growth of profits more rapid than has actually been the case and do not reveal the true progress in profit-earning which has been achieved. It is a point which on more than one occasion has been the subject of comment in these columns.

Ten-year View

Accordingly, with these Wolseley-Hughes accounts, shareholders are provided with a ten-year profit summary which gets around the difficulty. Profit and taxation figures are given on the basis that all the subsidiaries had been members of the group throughout the whole ten-year period but, of course, it has obviously been necessary to apportion profits on a time basis where the time factor was involved.

The usefulness of these figures, given in Table 1 in the report and included in our reprint, can be appreciated when set beside Table 2 (also included) which covers the building up of the group. Table 2 includes only subsidiaries' profits earned after the actual dates of joining the group, the seven months' period, for instance, including seven months of Wolseley's profits but only three months of Hughes's.

This raises a minor point that might be worth consideration. Table 2's £455,965 can quickly be traced to the consolidated profit and loss account but the derivation of the figure in the consolidation, though seemingly obvious, is not as apparent as it might be; the italic type of the £7,783 above it does not give sufficient distinction to the 'minus' figure. The point will be appreciated in the reprint where the italic figures are set in lighter type.

One Column

It is useful in these Wolseley-Hughes accounts to have the account on the left and the relevant notes on the right. This is a matter raised here some years ago when accounting evolution was tending towards the removal of detail from the accounts to separate notes. The conjunction of account and notes certainly obviates the need to 'flip' from one to the other.

The use of one column in the account for all the figures is, however, a debatable point. It may have an element of subconscious attachment to the past which gave us the 'item' figures in one column with group totals carried out and thus emphasized. Maybe the accountant's eye is developing a double sight that keeps one eye, as it were, on the item figures and the other on group totals. It is this sort of thing on which the present generation has an influence because what seems an improvement now may well become accepted practice in the future. One recalls the argument there was at one time, about the elimination of shillings and pence from published accounts!

Wolseley-Hughes also takes the mildly revolutionary step of eliminating the chairman's statement, which has been combined with the directors' report. This, of course, opens up a wide vista for discussion, for which there is no space here at present. There is no doubt that the provision of chairmen's statements with the accounts was an improvement on the traditional chairman's speech at meeting; and despite the fact that it is a statutory document, the directors' report is the 'Cinderella' of published reports and accounts. Provided statutory requirements are fulfilled, therefore, there would seem to be no reason why the directors' report should not be expanded to cover the chairman's statement and this does emphasize, as Mr Woodward points out, the board's collective responsibility.

Replacement TV

WHAT is going to happen in the radio and television industry? There is a reflection of the present situation in the accounts to September 30th, 1961, of Lloyd's Packing Warehouses (Holdings) Ltd which show a trading loss of £258,820 as compared with a trading profit of £633,434. The major contribution to the adverse result, says Sir Eric A. Carpenter, the chairman, was the heavy loss of £528,038 incurred in Regentone Products Ltd.

Sir Eric refers to his statement of the year before

on the 'deplorable' conditions in that industry. These, he now says, led to the decision to dispose of the factory and plant at Romford and to enter into an arrangement for manufacturing to be carried out to specification on a contractual basis. This operation yielded a capital profit of £83,619 on the assets disposed of, eased the financial position and stemmed the further heavy loss which continuance in manufacture, he says, would undoubtedly have entailed. It did not, however, relieve the company of the disposal of accumulated stocks in a deeply depressed market.

Whatever may be said about the effect of hire-purchase restrictions etc., is it possible that the TV industry is getting near 'replacement basis' working?

WOLSELEY-HUGHES LIMITED

Financial History and Information

TABLE 1

Profits of the Companies now comprising the Group

Apportioned on a time basis where necessary and on the basis that all subsidiaries had been members of the group throughout this period.

Year ended 31st July	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Consolidated Profit before Taxation	236,515	225,494	314,327	327,320	361,286	317,640	292,282	310,021	428,244	507,669
Taxation	141,702	141,847	180,382	172,463	190,525	171,025	168,511	156,421	218,934	268,727
	94,813	83,647	133,945	154,857	170,761	146,615	123,771	153,600	209,310	238,942
Add Surplus Taxation provisions of previous years	4,939	4,068	5,923	9,062	674	740	3,790	9,217	8,286	5,711
	99,752	87,715	139,868	163,919	171,435	147,355	127,561	162,817	201,024	233,231
Deduct Proportion attributable to Outside Shareholders	95	81	219	497	270	—	—	—	—	—
£	99,657	87,634	139,649	163,422	171,165	147,355	127,561	162,817	201,024	233,231

TABLE 2

		1958 *7 months*	1959	1960	1961
Profit of the Group before Taxation	£	53,794	179,958	273,336	455,965
Taxation	£	44,229	82,599	145,001	244,690
Exceptional Items	£	(2,602)	(12)	8,918	7,606
Consolidated Net Profit	£	6,963	97,347	137,253	218,881
Preference Dividend Net	£	1,294	5,344	5,512	5,512
Net Profit accruing to Ordinary Shares	£	5,669	92,003	131,741	213,369
Ordinary Dividends, Rate, Gross		5.5/6%	10%	12½%	15%
Amount, Net	£	13,896	43,104	53,976	95,133
Times Covered		—	2.14	2.44	2.24
Funds Retained in the Business: Depreciation	£	15,606	52,246	59,941	97,894
Profit	£	(8,227)	48,899	77,765	118,236
Profit before Taxation in relation to Preference and Ordinary Shareholders' Funds employed in the business		—	14.8%	21.2%	23.2%
Number of Employees		1,100	1,150	1,300	1,700
Number of Shareholders		600	625	650	850

NOTE: Wolseley-Hughes Limited was established on 1st May, 1958, by the amalgamation of Geo. H. Hughes Limited, with Wolseley Engineering Limited, and its subsidiaries.

Adams & Benson (Agricultural) Limited joined in January, 1959; Rapid Magnetic Limited in November, 1959; Nu-Way Heating Plants Limited and its subsidiary Oil Burner Components Limited, in November, 1960, and Accles & Shelvoke Limited, in April, 1961.

The profits of the Group, which are summarised in Table 2 above, include only the profits of the subsidiary companies earned after the actual dates of their joining the Group; for instance, the trading period of seven months ended 31st July, 1958, included seven months of Wolseley's profits but only three months of Hughes' profits.

To enable shareholders to appreciate the annual rate of profit earning over a long period of the companies now comprising the Group, their respective profits have been added together for each of the last ten years and are summarised in Table 1 above.

WOLSELEY-HUGHES LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account

for the Year ended 31st July, 1961

Figures in italics represent deductions.

STATEMENT A

		1961	1960
		£	£
I	**Surplus on Trading**	459,446	277,290
II	Income from Trade Investments	855	1,243
III	Income from Tax Reserve Certificates	3,447	147
IV	Interest on Loan Capital	*7,783*	*5,344*
V	**Profit before Taxation**	455,965	273,336
VI	Taxation for the year	*244,690*	*144,700*
VII	**Net Profit for the Year after Taxation**	211,275	128,636
VIII	Exceptional Items:		
	Taxation Adjustments—previous years	5,711	*301*
	Others	—	8,918
IX	Amount attributable to outside shareholders' interests in a Subsidiary	1,895	—
X	**Consolidated Net Profit**	218,881	137,253
XI	Preference Dividend	9,000	9,000
	Less tax at 7/9	*3,488*	*3,488*
		5,512	*5,512*
XII	**Profit Accruing to Ordinary Capital**	213,369	131,741
XIII	Ordinary Dividends:		
	Interim Paid of 5%	51,772	17,625
	Final Proposed of 10%	103,544	70,500
	Less tax at 7/9	*60,183*	*34,149*
		95,133	*53,976*
XIV	**Profit Retained in the Business**	£118,236	£77,765

NOTES

STATEMENT A

		1961	1960
		£	£
	Surplus on Trading includes a due proportion of the profits of Nu-way Heating Plants Ltd. and Accles and Shelvoke Ltd., the Issued Share Capitals of which were acquired on the 25th November, 1960, and the 5th April, 1961, respectively, and is after charging:—		
	Depreciation:		
	Written off Fixed Assets	79,186	50,867
	Adjustments of prior years	8,102	—
	Transferred to Reserve against excess replacement cost of Fixed Assets	10,606	9,074
		97,894	59,941
	Directors' Emoluments:		
	Fees as Directors	2,174	2,197
	Management Remuneration	35,829	23,078
	Auditors' Remuneration	4,138	2,931
VI	**Taxation for the year:**		
	Profits Tax	59,574	30,068
	Income Tax	182,232	114,632
	Taxation Equalisation Reserve	2,884	—
		£244,690	£144,700
VIII	Taxation adjustments arise from the release of the provisions no longer required.		
XIII	The Ordinary Dividends for the year ended 31st July, 1961, are payable on the increased Ordinary Capital.		
XIV	The profit retained by the Parent Company and by the Subsidiaries is shown in Statement C.		

WOLSELEY-HUGHES LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet

Figures in italics represent deductions.

STATEMENT B

		31st July, 1961 £	31st July, 1960 £
	CAPITAL EMPLOYED		
I	Preferential Capital—Parent Company	150,000	150,000
II	Ordinary Shareholders' Funds:		
	Parent Company Ordinary Capital	1,035,448	705,000
	Profits retained in the business and other reserves	777,528	430,280
		1,812,976	1,135,280
III	Outside Shareholders' Interest in Subsidiary	3,705	—
IV	Loan Capital	141,500	88,750
V	Future Taxation	201,873	120,319
		£2,310,054	1,494,349
	EMPLOYMENT OF CAPITAL		
		Cost or Valuation / Depreciation	
VI	Land and Buildings	849,608 / 141,310 = 708,298	395,976
VII	Plant, Equipment and Motor Vehicles	864,093 / 544,339 = 319,754	246,290
		1,713,701 / 685,649 = 1,028,052	642,266
VIII	Trade Investments	75,967	67,815
	FIXED ASSETS	£1,104 019	710,081
IX	Current Assets:		
	Stocks	1,313,600	662,226
	Debtors	900,941	517,496
	Tax Reserve Certificates	27,775	73,275
	Cash and Bank Balances	100,962	44,423
		£2,343,278	1,297,420
X	Current Liabilities:		
	Amount Due to Bankers	*242,502*	*126,927*
	Creditors	*569,937*	*213,683*
	Taxation	*261,382*	*129,361*
	Proposed Dividend on Ordinary Shares	*63,422*	*43,181*
		1,137,243	*513,152*
	NET CURRENT ASSETS	1,206,035	784,268
		£2,310,054	£1,494,349

NOTES

STATEMENT B

		1961 £	1960 £
II	The Ordinary Capital was increased by £330,448 in connection with the acquisition of the issued share capitals of Nu-way Heating Plants Limited and Accles & Shelvoke Limited. Details of movements in reserves are set out in Statement C.		
IV	Loan Capital:		
	6¾% First Mortgage Debenture	56,500	—
	6% Mortgage Debenture	85,000	88,750
		£141,500	£88,750

The 6¾% First Mortgage Debenture is secured on the assets of a Subsidiary and is repayable by thirteen further annual instalments of £4,500. The 6% Mortgage Debenture is secured on the assets of a Subsidiary and is repayable by sixteen annual instalments of £3,750 and a final payment of the balance not later than 1976.

VIII Trade Investments are shown at cost less a provision of £2,973 for the possible depreciation in value of shares held in a certain company.

IX The amount of the stock has been determined on bases and by methods of computation which are considered appropriate in the circumstances of the business and have been used consistently.

General:

The amount of outstanding contracts of Subsidiaries for capital expenditure not provided for in these accounts is estimated at £65,043 (1960 £53,215).

There are contingent liabilities in respect of a Subsidiary's guarantees to various banks of employees' overdrafts amounting in aggregate to approximately £1,300 and of £23,201 in respect of bills discounted.

WOLSELEY-HUGHES LIMITED AND SUBSIDIARIES

Statement of Movements in Reserves

Figures in italics represent deductions.

STATEMENT C

	CAPITAL RESERVES			REVENUE RESERVES				
	Share Premium Account	Debenture Redemption Reserve	General Capital Reserve	General Reserve	Taxation Equalisation Account	Excess Replacement Cost of Fixed Assets	Unappropriated Profits	TOTAL
Consolidated Balance Sheet:		£	£	£	£	£	£	£
Balance 31st July, 1960	—	—	91,490	250,000	—	17,181	71,609	430,280
Movements in the Year:								
Surplus on revaluation of Buildings and Land of certain Subsidiaries			146,202					146,202
Surplus on liquidation of a Subsidiary			741					741
Difference on Exchange arising in year			55					55
Difference between cost of shares in Subsidiaries and the book value of net assets attributable to such shares			*42,116*					*42,116*
Arising on issue of Ordinary Shares	69,000							69,000
Transfers between reserves			266		25,712		*25,978*	
Transfer from Profit and Loss Account					2,884	10,606		13,490
Changes in composition of the Group		28,404			13,236			41,640
Net Profit retained in the business		2,296		50,000			65,940	118,236
Balance at 31st July, 1961	69,000	30,700	196,638	300,000	41,832	27,787	111,571	777,528
		£296,338				£481,190		
Wolseley-Hughes Ltd.								
Balance at 31st July, 1960			25,040	250,000			36,931	311,971
Movements in the year:								
Arising on issue of Ordinary Shares on acquisition of Accles and Shelvoke Ltd.	69,000							69,000
Net Profit retained in the business				50,000			4,881	54,881
Balance at 31st July, 1961	69,000		25,040	300,000			41,812	435,852
		£94,040				£341,812		

CITY NOTES

THE return of institutional buyers in force to the gilt-edged market has been the outstanding feature of stock-market activity this week. For some time institutional investors have not been particularly avid supporters of equities and have shown a tendency to turn from overvalued growth shares towards higher yielding issues.

There has not, however, been much drive to the trend until now. With a reduction in Bank rate overdue and with the industrial growth outlook becoming increasingly suspect, both through the pressure on industrial earnings and through continued 'restraint' in dividend payments, there has now been a concerted movement towards fixed interest stocks and towards Government stocks in particular.

Institutional investors have also shown a tendency to go for slightly longer redemption dates and, in a market none too plentifully supplied with stock around current levels, the effect on prices has been considerable.

It is a long time since the gilt-edged market flourished at the expense of equities but the impression is that the movement may go some way further.

New equity investment is now tending to be restricted, on a defensive basis, to new rights offers where shares become available at prices below existing market levels.

RATES AND PRICES

Closing prices, Wednesday, February 7th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Dec. 1	£5 7s 1·08d%	Jan. 5	£5 8s 7·81d%
Dec. 8	£5 6s 5·34d%	Jan. 12	£5 8s 6·03d%
Dec. 15	£5 6s 4·83d%	Jan. 19	£5 6s 2·35d%
Dec. 22	£5 7s 3·18d%	Jan. 26	£5 4s 10·06d%
Dec. 29	£5 8s 0·72d%	Feb. 2	£5 4s 4·93d%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5½–5 9/16%
Fine Trade Bills		3 months	5½–5 9/16%
3 months	6¾–7½%	4 months	5½–5 9/16%
4 months	6¾–7½%	6 months	5½–5⅝%
6 months	7–8%		

Foreign Exchanges

New York	2·81⅜–½	Frankfurt	11·24¼–½
Montreal	2·94¾–·95	Milan	1747–½
Amsterdam	10·18¼–½	Oslo	20·04¼–½
Brussels	140·06¾–·07¼	Paris	13·79–¼
Copenhagen	19·37¼–¾	Zürich	12·17–¼

Gilt-edged

Consols 4%	61½	Funding 3% 59–69	83½
Consols 2½%	40 7/16	Savings 3% 60–70	79¼xd
Conversion 5¼% 1974	92 5/16	Savings 3% 65–75	71xd
Conversion 5% 1971	91⅜	Savings 2½% 64–67	86⅛
Conversion 3½% 1969	85⅛	Treasury 5½% 2008–12	86½
Conversion 3½%	55 5/16	Treasury 5% 86–89	85
Exchequer 5½% 1966	98 17/32	Treasury 3½% 77–80	71
Funding 5½% 82–84	90½	Treasury 3½% 79–81	69⅞xd
Funding 4% 60–90	89½	Treasury 2½%	40¼
Funding 3½% 99–04	59¾	Victory 4%	92⅜xd
Funding 3% 66–68	84 1/16	War Loan 3½%	55¼

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Trade Unions and Professional Auditors

SIR, – Although it is true that for many years now trade unions in this country have had their central funds audited by professional accountants, the same situation has not prevailed in many of the local branches of trade unions, although the amounts of money handled may be very large and the accounts complex.

The normal practice has been for two lay members of the local branch to act as auditors, and while the British trade union movement is remarkably free from financial dishonesty, there is no doubt that many local branch accounts are kept and audited in a lackadaisical and haphazard fashion.

The Post Office Engineering Union, representing some 76,000 telephone engineers in the country, is well aware of this situation and has now incorporated into its rules a permissory clause allowing local branches to use professional accountants for the purpose of auditing the annual accounts of the branch.

The National Executive Council has also given positive advice to its branches to substitute, as far as possible, professionally qualified accountants on a professional basis for lay auditors when the annual accounts are due for scrutiny. This measure is being taken, not because there is any suspicion of the loose handling of Union moneys in the branches, but it is felt a far more competent job of work can be performed by a professionally qualified accountant not merely on the mechanics of auditing, but also by way of useful advice which can be given in the preparation of the branch's accounts so that they can be submitted to the membership of the branch in a readily understandable fashion.

This advice is being taken by the majority of the Union's 255 branches and the change-over to the use of professional accountants is now taking place throughout the Union.

Yours faithfully,
L. J. SAPPER,
Deputy General Secretary.
London W5. POST OFFICE ENGINEERING UNION.

The Training of Accountants

SIR, – Like Mr Kenneth S. Most, whose letter on this subject appears in your issue of January 27th, I have had the experience of attempting to devise courses to explain accountancy to managers, and, like him, found myself forced to turn to an American textbook.

It is, in my view, a pity that the Institute does not more courageously develop latent talent such as I am certain exists, to its own additional prestige, by sponsoring the production of books by members. Whether this is done by accepting theses for some additional diploma or merely by selecting subject for study and writing by groups, or individuals, is less important than that we should, as British accountants, help to give a leadership in these matters where it is needed.

It is also, in my view, unfortunate that much of the training of students by postal tuition is necessarily somewhat limited in scope, and would of itself hardly qualify for the description of 'education' in its widest sense. Therefore, though as a practitioner fully aware of the financial problems inherent in placing more emphasis on a university or college system of training, I am still quite certain that the authority of the profession would be strengthened by a trend in this direction, so long as such training does not completely replace the requirement for a certain basic practical experience as an essential to qualification. Where, however, would we at present find the tutors such a development would require?

Yours faithfully,
London EC2. R. S. WALDRON.

SIR, – As accountancy bodies grant concessions to students holding 'special degrees', could not some agreement be reached between the universities and the various professional bodies to allow professional people, such as accountants, to take a degree and granting them certain concessions on 'post professional' courses in certain faculties.

The comments of other readers would be welcome.

Yours faithfully,
Manchester. J. TRAYNOR, A.C.A.

Hiring or Owning Cars?

SIR, – An exercise many accountants are being called upon to do is a comparison between hiring cars on a contract basis and purchasing outright (with the attendant maintenance and repair charges). I wonder if I can draw upon the experience of any of your readers and ask if any general conclusions have been drawn by them?

Yours faithfully,
A. E. ORME, *Accountant,*
Kenton, Middx. COMPUTER DEVELOPMENTS LTD.

Goodwill: Veterinary Practice

SIR, – I should appreciate any information any practitioner is able to supply with regard to the valuation of the goodwill of a veterinary practice. The practice in question is concerned chiefly with large animals, and very little goodwill, if any, is attached to the premises from which the practice is carried on.

Yours faithfully,
Bradford. WILLIAM C. LONG.

FOR STUDENTS

SHARE CERTIFICATES — II*

PRIOR to the Companies Act, 1948, each share in a company having a share capital had to be distinguished by its appropriate number. In the course of time, original holdings became considerably subdivided by transfers, and a holding of, say, one hundred shares might easily comprise several groups of distinctive numbers, e.g. 1356–1365, 1681–1724 and 1951–1996. As the distinctive numbers require to be written on the share certificate, transfer, transfer receipt, balance receipt, register of transfers, register of members, etc., the amount of work involved can become quite considerable where the shares of a company are actively dealt in.

Whilst the Companies Act, 1948, was under discussion, there was considerable difference of opinion over the question of abolishing distinctive numbers. Those in favour of abolition stressed the work involved, whilst those against emphasized their value in preventing or detecting fraud or mistake. The provisions of section 74 of the Companies Act, 1948, represent a compromise between these two views.

The section provides that:

> Each share in a company having a share capital shall be distinguished by its appropriate number, provided that:
> (1) if all the issued shares, or all the issued shares of a particular class, are fully paid; and
> (2) rank *pari passu* (i.e. equally) for all purposes,
> none of those shares need hereafter have a distinguishing number so long as it remains fully paid and ranks *pari passu* for all purposes with all shares of the same class for the time being issued and fully paid.

Where a company desires to take advantage of this section, a resolution of the directors is sufficient, but it may be necessary to alter the memorandum and articles of association, e.g. where these refer to distinctive numbers.

If the shares are quoted on the stock exchange it will also be necessary to arrange for a new quotation for the unnumbered shares. Existing issued share certificates may remain in use, but notice of the change should be advertised, and transfers will be accepted which do not quote the distinctive numbers of the shares. New share certificates, of course, will not bear distinctive numbers.

It would appear that if new shares ranking *pari passu* with existing unnumbered shares are issued only partly paid, then only the new partly-paid shares would require to be numbered, since the existing fully-paid shares still 'remain fully paid and ranking *pari passu* for all purposes with all shares of the same class for the time being issued and *fully paid*', as required by the section. If this were not so, these circumstances would necessitate re-numbering the existing unnumbered shares until such time as the new shares were also fully paid.

If new shares are issued of the same class as existing unnumbered shares but temporarily do not rank *pasi passu* with them, e.g. they are not entitled to participate in the current year's dividend, it would appear that this necessitates re-numbering the old shares unless the new shares could be considered, at least temporarily, as shares of a different class.

Estoppel

By section 81 of the Companies Act, 1948, a certificate under seal is prima facie evidence of title. At common law, however, where a share certificate under seal is issued with the authority of the company, the company is estopped from denying:

(1) that the person named therein is entitled to the shares; or
(2) that the amount stated in the certificate as having been paid on the shares has, in fact, been paid.

The company will therefore be liable to damages to any person, e.g. a mortgagee, who in good faith relies on such a certificate and, in consequence, suffers loss (*Balkis Consolidated Co v. Tomkinson* ([1893] App. Ca. 281)).

Estoppel does not apply where the certificate relied upon has been issued fraudulently without the authority of the company, as where the secretary wrongfully affixes the seal and forges the signatures attesting it, or where, although the signatures themselves are genuine, they have been made and the seal affixed, not as the result of a bona fide transaction, but as part of a fraudulent act on the part of the signers (*Rubens v. Great Fingall Consolidated* ([1904] 2 K.B. 712)).

Duplicate Certificates

A duplicate certificate to replace an old certificate which is torn or mutilated will be issued on surrender of the old certificate, and articles of association as in clause 9 of Table A may require payment of a fee, frequently 2*s* 6*d* or such less sum as the directors think fit. Stock exchange regulations require that the charge shall not exceed 1*s*.

From what has already been said regarding the effect of a share certificate, it follows that adequate precautions to protect the company and its members must be taken where a new certificate is requested to replace one that is said to have been lost or destroyed. Table A authorizes the directors to require such evidence and indemnity, and payment of such out-of-pocket expenses, as they think fit. The precautions usually taken comprise:

(1) A statutory declaration made by the shareholder and sworn by him before a commissioner for oaths, setting out the circumstances of the loss or destruction of the original certificate. The making of a false declaration is a punishable offence.
(2) An indemnity by the shareholder (stamp 6*d*) by which he undertakes to make good to the company and directors any loss or expense they may incur as a result of the issue of the duplicate certificate. (See Example A overleaf.)

*Part I of this article appeared in *The Accountant* of January 27th.

CORRECTION: The reference to section 155 of the Companies Act in the first paragraph of Part I should have read 'section 455'.

(3) A guarantee by a bank or other third party of sound financial standing. (See Example B below.)

Where the amount involved is small, the indemnity alone may be considered to give sufficient security for the issue of the duplicate certificate. Companies usually issue the necessary documents for completion by the shareholder and guarantor. Before a duplicate certificate is issued, it must be ascertained that no 'stop notice' has been served on the company in respect of the shares, as the shareholder may wrongfully be seeking to obtain a duplicate certificate when he has deposited the original as security for a loan.

Example A

Form of Indemnity

I..... of.....
in consideration of the issue to me of a duplicate share certificate for..... ordinary shares of..... each, numbered..... to..... inclusive in your company, the original certificate No..... having been mislaid, lost or destroyed, do hereby undertake for myself, my heirs, executors or administrators to indemnify the company the directors and the officers for the time being thereof and save them harmless from and against all claims and demands in respect of the said share certificate and from and against all losses, damages, costs, charges and expenses which they may incur, sustain and be liable to, in the event of the said share certificate being in any way dealt with or being forthcoming at any future time or in consequence of their issuing to me a new certificate as aforesaid, and I hereby declare that I have not sold, pledged or otherwise disposed of my interest in the said shares, and further undertake and agree, if the said share certificate should hereafter be found, forthwith to deliver up the same to the company without cost, fee or reward.

Dated this..... day of..... 19.....

Signature.....

If required the signature should be witnessed. Where a guarantee is also required, the following paragraph is added:

Example B

And we..... of.....
concur in the above request and guarantee the performance by the said.....
of the above undertaking.

Signature.....

On issue, the duplicate certificate must be conspicuously marked 'Duplicate' and a note of its issue must be made in the member's account in the register of members. Future dealing will be made only against the duplicate certificate, and if the original should later be lodged with the company, a full explanation should be called for and surrender of the duplicate certificate. All correspondence relating to the matter, and the indemnity, statutory declaration and guarantee must be carefully filed.

If a share certificate is lost in transit between the registered office and the shareholder's address, the shareholder may refuse to give an indemnity covering the issue of a duplicate certificate since the fault was not his. If the certificate was sent by registered post so that delivery could be proved, the Postmaster-General may agree to bear the cost of a suitable indemnity issued by an insurance company. Otherwise the matter may require compromise. If the shareholder first used the post as agent between himself and the company, then he or his broker may be prepared to give the indemnity when it is pointed out that the company was justified in using the post as the shareholder's agent. If the company first used the post as agent, then the directors may feel inclined to waive the indemnity.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS ARMSTRONG, ROUTLEDGE & CO, Chartered Accountants, of 57 English Street, Carlisle, announce that they have opened an office at 41 Darlington Street, Wolverhampton.

MESSRS DIXON, WILSON, TUBBS & GILLETT, Chartered Accountants, and MESSRS DIXON, WILSON & CO, Chartered Accountants, announce that they are today (February 10th, 1962) moving from 24 Basinghall Street, London EC2, to St Alphage House, 2 Fore Street, London EC2. The telephone number will remain unaltered at Monarch 6771.

MESSRS KEMP, CHATTERIS & CO, regret to announce the death, on February 1st, 1962, of Mr WALTER TRAFFORD WILLIAMS, F.C.A., who had been a partner in the firm for many years until his retirement in July 1961.

MESSRS MACINTYRE HUDSON & CO, Chartered Accountants, of Craig's Court House, 25 Whitehall, London SW1, announce that Mr JOHN FARRER HUDSON, F.C.A., has retired from the partnership, and that Mr ROBERT HAMILTON MACINTYRE (Jun.), A.C.A., has been taken into the partnership.

MESSRS PEAT, MARWICK, MITCHELL & CO, Southern Rhodesia, announce that Mr D. H. NORTHAGE, A.C.A., and Mr R. F. GRIFFITHS, A.C.A., have been admitted as partners in their Salisbury office as from January 1st, 1962.

MESSRS EDMUND R. GIBBS & CO announce that Mr N. J. CUMMINGS, A.A.C.C.A., A.C.I.S., was admitted into partnership on February 1st, 1962. The firm will continue to practise under the style of EDMUND R. GIBBS & CO, Certified Accountants, at 17 St Michael's Street, Oxford.

Appointments

Sir Douglas Waring, C.B.E., F.C.A., has been appointed a director of Kamunting Tin Dredging Ltd.

Mr Richard Ogden, F.C.A., has been appointed a chief representative for the industrial finance division of the Astley group of companies.

Mr R. L. Henshaw, F.C.A., secretary of Crittall Manufacturing Co Ltd, has been appointed a director of the company.

Mr A. H. I. Hearn, F.C.A., has been appointed financial controller of Ozalid Co Ltd.

Mr C. B. Jewson, F.C.A., has been appointed a joint managing director of Jewson & Sons Ltd.

Mr John H. E. Craster, F.C.A., has been appointed a director of the Licenses and General Insurance Co Ltd.

Mr S. A. J. Young, J.P., F.C.A., chief accountant of John I. Jacobs & Co Ltd, has been appointed a director of the company.

Mr George Ireland, F.C.A., has been appointed a director of the Leeds Fireclay Co Ltd.

Mr R. P. Tovey, F.C.A., chief accountant of The Steel Company of Wales Ltd, has been appointed secretary to the board of the company.

Mr G. E. Young, F.C.A., has been appointed treasurer of Mersey Docks and Harbour Board.

Mr Henry Newman, F.C.A., financial director of Procea Products Ltd, has been appointed joint managing director of the company.

Mr J. L. Brooke, B.COM.(LOND.), A.C.A., A.C.W.A., M.B.I.M., has been appointed chief accountant of A.E.I. Lamp & Lighting Co Ltd.

Mr James Sinclair Shearer, C.A., has been appointed secretary of Calor Gas Holding Co Ltd in succession to Mr K. A. E. Parsons, F.C.A., (retired) with effect from February 1st, 1962. Mr Parsons continues as a director.

Mr P. D. Clarke, C.A., has been appointed secretary of the G. Q. Parachute Co Ltd.

Mr J. M. Craig, C.A., chief accountant of Glaxo Laboratories Ltd, has been appointed a director of the company.

Mr E. J. Perry, F.A.C.C.A., formerly assistant general manager of the Pearl Assurance Co Ltd, has been appointed a director of the company.

HOSPITAL SERVICE INQUIRY

Two Accountant Members of Committee

Two members of the accountancy profession are among the members of the Lycett Green Committee on administration and clerical staffing arrangements in the hospital service announced by the Minister of Health on January 26th.

They are Mr M. S. Rigden, A.C.A., F.H.A., finance officer, St Thomas' Hospital, London, and Mr E. D. B. Todd, F.S.A.A., A.I.M.T.A., treasurer, Leeds Regional Hospital Board.

THE COMPANIES REGISTERS (FEDERATION OF MALAYA) ORDER, 1962

The Companies Registers (Federation of Malaya) Order 1962[1], which came into operation on February 1st, 1962, extends the provisions of sections 119 to 121 of the Companies Act, 1948, to the whole of the Federation of Malaya. Hitherto these provisions have applied only to Penang and Malacca.

The effect of the Order is to enable a company registered in Great Britain and transacting business in Malaya to keep a branch register (referred to in the Act as a 'dominions register') in Malaya of its members resident in that country and thus to facilitate and expedite the local transfer of shares.

[1] S.I. 1962 No. 166. H.M.S.O., price 3*d* (by post 5½*d*).

OFFICIAL RECEIVER APPOINTMENTS

Mr Ronald Frank Savage has been appointed to be an Inspector of Official Receivers attached to the office of the Inspector-General in Bankruptcy with effect from February 1st, 1962.

Mr Geoffrey Charles Enderby, F.C.A., has been appointed an Assistant Official Receiver to act as assistant to any Official Receiver appointed for the purposes of the Companies Act, 1948, and attached to the High Court. The appointment takes effect from January 22nd, 1962.

COMMON MARKET BOOKLET

A useful, factual background to the European Economic Community is provided in a new, forty-eight page booklet – *The Common Market* – recently published by the Information Service of the European Community.

The booklet reviews the reasons for the creation of the European Economic Community, the programme of the Rome Treaty, and the progress made in carrying it out. It describes the institutions of the Community; the steps already taken towards a single market through the reduction of internal tariffs; the first move towards a common external tariff; the gradual abolition of quota restrictions; and associated measures such as provision for the free movement of workers and capital within the Common Market.

A further section details the progress made towards common policies in such fields as agriculture, transport, and external trade. The future of the Community's association with African countries is also discussed, and the prospect of a wider Community opened up by recent applications for membership or association.

Copies of the booklet, price 1*s*, may be obtained at booksellers and newsagents.

ANOTHER RECORD YEAR FOR E.C.G.D.

Business declared under the Export Credits Guarantee Department's 'commercial' insurance during the last quarter of 1961 totalled £197·5 million – a record for any quarter. Business declared during the year was also, at £712·0 million, a record, with transactions amounting to £17·5 million more than in 1960.

The face value of comprehensive policies rose during the quarter by £31·7 million to £867·1 million. New comprehensive policies included general merchandise (£3 million p.a.), machinery (£2·9 million), handling plant (£1·4 million), and steel wire ropes (£1·0 million). Specific policies issued during the quarter amounted to £10·1 million, and included textile machinery (£3·8 million) and fertilizer plant (£1·4 million). Not included in these figures are the 659 'small exporter' policies sold since their introduction in April (*The Accountant*, April 22nd), under which cover for £991,000 has already been allocated. Under the financial guarantee facility (also announced in the issue of April 22nd), cover during 1961 had been agreed in principle on thirteen projects valued at about £95 million with loan values totalling some £70 million.

The face value of short-term policies current at the end of the quarter was £867·1 million, compared with £835·4 million at the beginning of the quarter, and £718·4 million at the end of the corresponding quarter last year.

APPRENTICE OF THE YEAR AWARDS

Since 1958, the British Junior Chambers of Commerce have organized under the title 'Apprentice of the Year', travelling scholarships which are offered to selected apprentices who have fulfilled certain qualifications. In 1958 and 1959, one award was made to a technical apprentice who was given the opportunity of spending nine months in Australia, working with selected firms in that country. In 1960 the scheme was extended and three scholarships were given: to a technical apprentice (nine months in Australia), to a craft apprentice (six months in West Germany), and to a commercial apprentice (six months in the U.S.A.) – the latter award in 1960 was won by Mr David Allen, of Darlaston, Staffordshire, who had passed the Final examination of The Institute of Cost and Works Accountants and was studying for the Institute's examination in Management Accountancy.

The object of the scheme is to select outstanding apprentices of the year from industry and commerce throughout the United Kingdom and to offer them, by means of travel to other countries, the opportunity to widen their horizons and their education, which would not otherwise be available to them.

In making their selections, the judges are asked to concentrate as much as possible on character and personality as on technical achievement.

The awards in consequence are given to those apprentices who are considered to have the characteristics of intelligence and personality that will enable them to take the best advantage of such an opportunity.

The Commercial Apprentice Award is open to all commercial students who:

(*a*) Will complete their training courses between September 1st, 1961, and September 30th, 1962 (both dates included).

(*b*) Will not have passed their twenty-fourth birthday before September 30th, 1962.

(*c*) Have by March 1st, 1962, obtained Higher National Certificate in Commerce or in Business Studies, an external degree by part-time study, or an equivalent professional qualification. Equivalent professional qualification is considered to be the full Final examination of bodies such as the Institute of Bankers, the Institute of Chartered Accountants, the Chartered Institute of Secretaries. [All the recognized accountancy bodies are, of course, included in this category.]

The closing date for applications in respect of the 1962 awards is March 1st, 1962, and application forms and further details are available from any of the Junior Chambers of Commerce in the United Kingdom.

WAR DAMAGE PAYMENTS

During 1961 the War Damage Commission paid out £7½ million compared with £10¼ million in 1960 and £13½ million in 1959. The average weekly rate of payments in the last quarter of 1961 was £143,000.

The Commission paid 2,728 'cost of works' claims for repairs during the year, and made 839 instalment payments or payments on account. The amount involved was £5½ million of which over £¼ million was for the repair and rebuilding of houses. Other principal items were: commercial buildings, £1 million; factories, £¾ million; churches, £1½ million; shops, £¼ million. The average amount of each claim paid during 1961 was £1,971 compared with £2,149 in 1960 and £2,066 in 1959.

Total war damage payments made by the Commission now amount to £1,273 million in 4,742,300 separate payments. Details of the total amounts paid by the Commission in some of the larger cases up to the end of the year 1961 are as follows:

Inner Temple and Middle Temple, £2,518,000; Guildhall, Portsmouth, £685,000; St Mary-le-Bow, London, £51,610; Coventry Cathedral, £846,107; Market, Sheffield, £312,500; Pier, Southsea, £158,000.

BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

At the annual dinner and ball of the Belfast Society of Chartered Accountants held at Woodbourne House Hotel on February 3rd, the President of The Institute of Chartered Accountants in Ireland, Mr A. E. Dawson, F.C.A., and Mrs Dawson were among those received by the Chairman of the Society, Mr D. H. Templeton, F.C.A. The 200 members and guests present included:

Mr R. Bell (*Secretary, Belfast Stock Exchange*) and Mrs Bell; Mr M. A. Graham (*Chairman, Belfast Stock Exchange*) and Mrs Graham; Mr F. W. P. Hampton, B.COMM. (*Chairman, Northern Ireland Branch, Chartered Institute of Secretaries*) and Mrs Hampton; Mr W. J. Jefferson, LL.B. (*President, Incorporated Law Society of Northern Ireland*) and Mrs Jefferson; Mr T. J. Magee (*President, Belfast Chamber of Trade*) and Mrs Magee; Mr W. S. Orr, B.A., LL.B., A.C.A. (*Secretary, The Institute of Chartered Accountants in Ireland*) and Mrs Orr; Mr G. A. Pogue, A.C.W.A. (*Chairman, Northern Ireland Branch, The Institute of Cost and Works Accountants*) and Mrs Pogue; Mr C. G. Walker, F.C.A. (*Chairman, Dublin Society of Chartered Accountants*) and Mrs Walker; and Councillor S. E. Woods, F.A.C.C.A., F.C.W.A., J.P. (*Vice-President, Northern Ireland Branch, The Association of Certified and Corporate Accountants*) and Mrs Woods.

INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The Manchester Chapter of the Institute of Internal Auditors is holding its next meeting on Tuesday, February 20th, in The Chartered Accountants' Hall, 46 Fountain Street, Manchester 2, when Mr B. E. V. Sabine, B.A.(OXON.), H.M. Inspector of Taxes, Manchester 13th District, will speak on 'The development of modern income tax'.

A cordial invitation is extended to all interested and further information regarding the activities of the

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WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Chapter may be obtained from the honorary secretary, Mr K. Bradley, assistant internal auditor, The Associated Octel Co Ltd, Northwich, Cheshire.

THE INSTITUTE OF OFFICE MANAGEMENT

Organization and Methods Course

A three-week residential course on organization and methods is to be held at the Manor House Hotel, Leamington Spa, from February 25th to March 16th.

Arranged by The Institute of Office Management, the course is designed for those who expect to become full-time O. & M. practitioners or already have some experience in this field. The syllabus includes 'Basic techniques – the study of clerical work', 'Introduction to electronic data processing' and 'Starting and managing O. & M.'.

Further particulars are obtainable from the course secretary, The Institute of Office Management, 56 Victoria Street, London SW1.

PLANNING FOR PROFIT

To demonstrate the importance of techniques other than work study and monetary incentives, the South London Productivity Association (British Productivity Council) has arranged a one-day conference on Tuesday February 27th, to be held in the Council Chamber, The Federation of British Industries, 21 Tothill Street, London SW1.

The conference should appeal to directors and senior executives of both small and larger firms, as well as middle management and all interested in the problems of increased productivity.

Speakers and subjects are:

'Forecasting – the general plan', by Mr A. Holdsworth, B.COM., F.C.W.A., A.A.C.C.A.

'Setting the standards', by Mr S. Erskine-Murray, B.SC., A.M.INST.C.E.

'Budget, profit and sales', by Mr D. G. A. Owen, B.COM., F.C.A., A.C.W.A.

'Measuring the achievements', by Mr A. W. Howitt, M.A., F.C.A., F.C.W.A.

Tickets and further information may be obtained from Mr A. K. Haskins, A.M.I.PROD.E., Borouhg Polytechnic, London SE1, or from Mr W. S. Stoby, F.C.W.A., 38 Northampton Road, Croydon, Surrey.

PRODUCT COSTING COURSE

'Product costing' will be the subject of the first Furniture Development Council Course for 1962. To be held at the Royal Society of Arts, London, on February 20th and 21st, the course will present the Council's principles of costing in a critical manner. Participants will be able to assess the advantages of this system in accurately estimating costs.

Speakers will deal with batch sizes, choice of control points and materials and stores costing. Ways of using these costing records in various types of furniture firms will be discussed.

Only representatives of furniture companies registered with the Furniture Development Council are eligible to attend and applications should be addressed to the Council at 11 Adelphi Terrace, Robert Street, London WC2.

LOCAL GOVERNMENT SERVICES

Three statistical returns giving details of local government services in respect of welfare, housing and libraries for 1960–61 were issued recently by The Institute of Municipal Treasurers and Accountants[1], the former, in conjunction with The Society of County Treasurers.

The return of welfare services includes details of the income and expenditure of authorities per 1,000 population in each branch of the service and costs per resident week in different sizes of home, analysed under the main headings of cost. Total net expenditure falling on rates and grants in 1960–61 amounted to £25,811,364, compared with £22,887,928 in the previous year – a rise of £2,923,436. In terms of average rates, this was an increase from 7·97*d* to 8·74*d*. Brighton had the highest number of people in homes whose total of 559, with 118 in temporary accommodation, represented 4·21 per 1,000, whilst Sheffield had the lowest – 539, with 18 in temporary accommodation, representing 1·11 per 1,000. Average expenditure for county boroughs was £675 3*s* (£600 13*s*); London, £852 13*s* (£760 7*s*) and Welsh counties, £566 11*s* (£521 1*s*).

The return of library statistics contains statistics of all county boroughs, metropolitan boroughs and the City of London Corporation. The booklet, which is in two parts, firstly contains general information as to the number of branches, staff and books, and the second shows the detailed cost of the service, expressed as amounts per 1,000 population.

The twelfth annual return of housing statistics gives comprehensive figures for all the county boroughs, the metropolitan boroughs (including the City of London), together with 269 non-county boroughs, 384 urban districts and 324 rural districts.

In a summary giving the average capital cost of houses completed at March 31st, the lowest cost of two-bedroom houses is shown as £1,033 and the highest £2,026. The equivalent figures for three-bedroom houses are £1,100 and £2,756.

[1] *Welfare Services Statistics, 1960–61.* Price 5*s* post free. *Libraries Statistics, 1960–61.* Price 10*s* 6*d* post free. *Housing Statistics 1960–61.* Price 15*s*. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1.

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ANNOTATED TAX CASES

Part 7 of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *C. E. Neale & Co Ltd v. Beak* (Ch.D.); *Faye v. C.I.R.* (Ch.D.); *In re McIlroy* (Ch.D.); *Johnson v. Jewitt* (C.A.); *In re Sutherland* (C.A.); *Vestey v. C.I.R.* (Ch.D.); *T.S.S. Investments Ltd v. C.I.R., Feather Bros Ltd v. C.I.R.* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

BUSINESS EFFICIENCY EXHIBITION

A business efficiency exhibition covering over 33,000 square feet is to be held at the Queens Hall, Leeds, from March 5th–9th. Eighty-five firms will be participating in the exhibition, which is being organized by the Office Appliance and Business Equipment Trades Association.

ECONOMIC CONDITIONS OVERSEAS

A further booklet in the series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued, and contains a comprehensive analysis of economic conditions in the Federal Republic of Germany. The booklet is available from H.M. Stationery Office, price 3s.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

Results of Examinations held in November 1961

FINAL EXAMINATION

First Place and the 'Arthur H. Muir' Memorial Prize

Hally, D. L. (Booterstown, Co. Dublin)

Second Place

Delaney, D. (Dublin)

Third Place

Hayes, J. J. (Dublin)

Full list of names of successful candidates

Beatty, E. D. J. (Dun Laoghaire, Co. Dublin)
Bourke, J. O. P. (Dublin)
Boyd Barrett, D. J. R. (Blackrock, Co. Dublin)
Browne, W. P. (Longford)
Byrne, P. B. (Drogheda, Co. Louth)
Charleton, J. (Dublin)
Claffey, P. J. B. (Ballymahon, Co. Longford)
Clarke, J. A. (Belfast)
Coen, F. O. (Athlone, Co. Westmeath)
Cooley, S. A. G. (Graigavad, Co. Down)
Cox, P. A. (Dublin)
Crowley, L. G. (Dublin)
*Delaney, D. (Dublin)
Dowie, G. (Belfast)
Foo, Yee Yuan (Dublin)
Fox, J. D. (London)
Grealy, T. J. (Tralee, Co. Kerry)
*Hally, D. L. (Booterstown, Co. Dublin)
Hargaden, M. F. (Dublin)
*Hayes, J. J. (Dublin)
Jackson, E. S. (Belfast)
Jeffers, A. T. (Kildare)
Kearney, L. C. (Newry, Co. Down)
Kennedy, J. J. (Dublin)
Leonard, E. P. (Dun Laoghaire, Co. Dublin)
McAvoy, J. D. (Belfast)
McGovern, P. F. (Glenageary, Co. Dublin)
McKenna, P. D. (Dublin)
Moulton, R. A. (Dublin)
Moynihan, M. A. (Dublin)
Murnaghan, P. G. (Dublin)
O'Sullivan, P. K. (Dublin)
Pedlow, T. K. (Lurgan, Co. Armagh)
Phelan, J. A. (Bandon, Co. Cork)
Plunkett, (Miss), O. A. (Dublin)
Rafferty, H. H. (Belfast)
Sheehan, F. M. (Dublin)
Spain, J. P. (Killiney, Co. Dublin)
Stakelum, J. J. (Dublin)
Veale, T. M. (Dublin)
Walsh, P. C. (Dublin)
White, D. M. (Dublin)
Woods, J. K. (Blackrock, Co. Dublin)

* See also place list above.

Final Examination held under the Syllabus of the former Society of Incorporated Accountants

PART II

List of successful Irish candidates

Barrett, D. J. (Dublin)
Grant, V. D. (Belfast)
Jackson, R. A. (Dublin)
Kennedy, M. P. (Dublin)
Kirwan, B. (Cork)
McAllister, B. J. (Belfast)
Waddell, R. J. (Bangor, Co. Down)
Webb, J. A. (Dublin)

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THE
ACCOUNTANT

ESTABLISHED 1874

FEBRUARY 17TH, 1962 VOL. CXLVI. NO. 4548

CONTENTS

	Page
Take-over Tactics	169
Contractors' Profits by *Peter D. Taylor, F.C.A.*	171
The Accounting World	175
Stock Valuation – The Revenue's View by *H. G. Thomas, Senior Principal Inspector of Taxes*	177
Retirement and Superannuation Benefits: Liability to Estate Duty Inland Revenue Statement	182
Weekly Notes	184
This is My Life . . . by *An Industrious Accountant*	187
Finance and Commerce Liebig's Extract of Meat Co Ltd – S. & W. Berisford Ltd – City Notes – Rates and Prices	188
Correspondence The Training of Accountants – Stock Valuation – Company Reports – The Silver Mirror	192
Chartered Accountants' Dinner at Bournemouth	194
Electronics in the Office Air Ministry to save £25,000 a Year – Data Processing System for Jaguars – New Development in Audience Research – Stockbroking by Computer	195
The Institute of Chartered Accountants in England and Wales Special and Ordinary Meetings of the Council	196
Finding and Decision of the Disciplinary Committee	199
Finding and Decision of the Appeal Committee	199
Members' Library	200
Results of Examinations held in November 1961	203
Notes and Notices	200
The Society of Incorporated Accountants (in voluntary liquidation) Results of Examinations held in November 1961	216

Take-over Tactics

THE mantle of those classic take-over struggles of yesteryear seems certain to descend upon the hotly-contested I.C.I. bid for Courtaulds. The substance of I.C.I.'s eagerly awaited reply to Courtaulds' earlier rejection of the improved share exchange offer (four I.C.I. Ordinary shares for every five Courtaulds, instead of the original three for four terms) indicates that the battle is now entering its final stages.

In arriving at their offer, I.C.I. have taken into account the potentiality of the sections of industry in which the two companies are concerned, including present and future profitability and the market assessment of the profit potential of the two companies. That offer still stands, but an alternative has now been introduced whereby every £10 of Courtaulds' Ordinary stock may be exchanged for £25 6½ per cent Convertible Unsecured Loan stock, 1972–77, of I.C.I. Taking the value of the convertible loan stock at par, this is equivalent to 50*s* for every £1 Ordinary stock unit of Courtaulds.

Conversion of the loan stock at the earliest date in 1963 would produce exactly the same amount of I.C.I. Ordinary stock as would be obtained from accepting the share exchange offer proper. Nevertheless, the exchange into convertible loan stock does offer the chance of increased income to Courtaulds' Ordinary shareholders as well as the option to convert into I.C.I. Ordinary stock over a period when the growth potential of that company together with the benefits arising from the merger should become increasingly apparent.

In sheer size alone the offer – worth close on £200 million in all – towers above any other take-over bid ever made in the United Kingdom. The magnitude of the offer is by no means the only mark of distinction, however, for there are several other issues involved, any one of which would have been enough to incite public controversy and attention.

First, there are complex technological factors at stake which appear to override the financial implications of the offer. In matters of this kind the layman is often at a loss in attempting to assess conflicting points of view. But this much is clear, I.C.I. as a major producer of chemicals is insistent upon the idea of integrating production by moving forward into man-made fibres so as to secure a captive market for the materials it produces from plants built at high capital cost. Courtaulds, on the other hand, is predominantly a producer of man-made fibres (along with paint and packaging materials) intent upon buying its basic raw materials in the cheapest possible market. Herein lies the

core of the argument, with I.C.I. set upon vertical integration and Courtaulds standing fast upon horizontal integration – though limited to that part of the industry where overlapping of effort is said to exist.

Following the rejection of the original I.C.I. terms by Courtaulds, ten-day truce talks were held for the purpose of seeking ways and means of solving the impasse, but these broke down because of the basic difference in approach.

The battle was now joined in earnest, with I.C.I. firing the first salvoes by improving upon the terms of its original offer. This new offer was vigorously opposed by Courtaulds on the grounds that it seriously undervalued their earning capacity in relation to that of I.C.I. Impressive forecasts of the future growth expected in profits were dangled in front of their shareholders and, at the same time, trade and other investments were currently shown to be worth £120 million (against a book value of only £70 million), equivalent to more than 30*s* per £1 Ordinary stock in issue without taking in the manufacturing side at all.

I.C.I. retaliated by issuing a statement expressing the view that the world demand for chemicals would double in the next ten years; that despite the sharp fall in group income last year, 1962 is expected to bring better trading and, looking beyond 1962, the trend of profits is confidently expected to continue upwards; at the same time the I.C.I. board wisely refrained from entering the realms of detailed forecasting by stating that:

> '. . . these depend in part on factors outside its control and can be influenced by political events – both at home and abroad – by labour conditions and, above all, by the success or failure of plans to raise living standards throughout the world.'

Moreover, it is asserted that a complete merger between I.C.I. and Courtaulds would increase efficiency and reduce costs in a number of ways. For instance, a large integrated organization would be able to spread the cost of research and development over a large production volume and a wide field of fibres; common ownership of the plants for the manufacture of the polymers and the fibres would lead to substantial reductions in capital and operating costs; a common marketing organization would lead to lower selling costs as well as better advice and technical service to the user; and above all, the United Kingdom industry would be in a much stronger position in competing for overseas markets.

While the two contestants have been locked in conflict, public attention has centred upon the question of monopoly for, if the merger goes through, the combined group would control over 90 per cent of Britain's synthetic fibre production. This prospective concentration of resources has already caused some public disquiet which has found expression through questions raised in Parliament, demands for a public inquiry, and a request that the matter be referred to the Monopolies Commission.

At present, the Government has little or no power to intervene until a merger is complete and until the new combine is operating in a way which appears to be against the public interest. THE PRESIDENT OF THE BOARD OF TRADE explained that it has been the policy of successive Governments to judge monopolies by their actual effects in practice, and not to attempt to reach conclusions on the possible effects of any particular monopoly before it has come into existence and there has been experience of its working.

In point of fact, monopoly conditions already exist in the man-made fibres industry, because I.C.I. and Courtaulds jointly own a third firm, British Nylon Spinners. A formal merger would therefore only have a marginal effect upon the position. In any case, the new giant would, in all probability, be in stern competition with the fully-integrated giants of Europe and the United States. Tariff protection may go by the board, too, if Britain joins the Common Market. Do we now have to abandon the established domestic attitude towards monopoly in favour of a wider European concept of 'the market'?

The way is almost clear for Courtaulds' 180,000 shareholders to come to a decision. In the final analysis, they are unlikely to be unduly swayed by technical considerations, fears of monopoly, or disclosure of previously hidden asset values. The I.C.I. bid will be accepted if it is better than the market price of Courtaulds' shares, and refused if it is not. So the ingenious alternative lately introduced into the bid terms may prove to have been just enough to clinch the deal in I.C.I.'s favour. It now remains for Courtaulds to muster some more ammunition in its own defence.

Contractors' Profits

by PETER D. TAYLOR, F.C.A.

A review of the way in which contractors can bring profits into their accounts, in the light of the latest recommendation of The Institute of Chartered Accountants in England and Wales on the valuation of work in progress.

THE significant difference between a contractor's accounts and those of almost any other type of business is that most other types of business can aggregate a large number of small profits, so that profits can be related to a given period of time. Normally this period is the financial year, but profits may also be related to the half-year, quarter, month, week or even a day; this depends in each case on the period of time involved in a sale. Contractors have their equivalent of a sale, a contract, extending over varying periods of time up to several years. Not only is there this variation in time, but the value will also be different, not necessarily in proportion to the period of the contract. In these circumstances a contractor needs a period of time longer than a year to assess the true profit figure.

A contractor can be anything from a public company carrying out huge 'turnkey' projects, worth hundreds of millions of pounds, to the local building firm; but whatever the size the fundamental problem is the same: to reconcile the need for annual accounts with contract profits related to one or more years. In the case of a public company, or any limited company for that matter, there is a legal obligation to produce annual accounts which must give a true and fair view of the profit for the period.

Since the obligation to prepare annual accounts is unavoidable, the only way to obtain the necessary reconciliation is to apportion contract profits to each year. This apportionment causes great difficulty to all concerned: to the accountant who makes the original decision; to the auditor who has to agree the figures; and to the Inspector of Taxes who uses the figures as a basis for assessment. It is a difficult job to tackle, but in some cases the fundamental problem is not even appreciated and as a result methods of valuing work in progress at the end of a financial period are applied as if to a factory producing, for example, nuts and bolts. A true perspective is shown if one considers the magnitude of work in progress in a firm handling really long-term contracts; the value can be of the same order as the total turnover for the year.

Overheads

Before investigating the allocation of profit to the years involved, it is necessary to consider the treatment of overheads. All overheads directly chargeable to a contract site – for example, site supervision, site insurance and carriage to site – must be charged to the particular contract. Similarly, if there is a factory, all overheads solely applicable to it should be charged. This would include all factory supervision up to and including the works manager. The remaining overheads, referred to here as the general overheads, are the ones that can be classed as those applicable to the business of contracting, as opposed to that of manufacturing. These overheads would include the design staff, project engineers and estimators, contract and other engineers, surveyors, and planning, purchasing and progressing staffs, together with the general management and administration. Any special factory estimator or the planning, purchasing and progressing staff applicable solely to the factory would be treated as a factory function, and charged therefore to factory overheads.

The recent Institute Recommendation No. 22 covers the treatment of overheads in paragraph 9 (*f*):

> *Long-term contracts*
>
> In businesses which undertake contracts extending over a period of years the normal tendency is to include overhead expenditure in work in progress except where it is considered to be irrecoverable. If overheads are not included in work in progress on such contracts the accounts for the early years may indicate losses, followed by unduly large profits in the years when the contracts are completed. This would be a wholly unrealistic presentation in relation to a contract showing a normal profit. . . .

This is admirable and indisputable, but it presupposes that overheads and profit can be separated; in practice it is preferable to consider the total gross margin as a contribution towards

the overheads of the firm, and in the sort of business under consideration the general overheads of the firm must be considered as fixed. Short-term fluctuations to meet the current activity disappeared with the advent of full and over-full employment.

Any attempt to treat these general overheads as a percentage recoverable in each contract can only lead to rising percentages at times of falling activity, exactly the opposite of what is required. Exponents of marginal costing have covered this ground pretty thoroughly. Suffice it to say that the gross margin or contribution for each future quarter, half and whole year must be compared with the overheads for the corresponding period to show the required profit margin. The contractor has the advantage that he knows in advance what work is in hand for a given period, and a certain amount of planning can be done according to the long-term trend, either by increasing the contribution, or reducing the overheads if there is no way to increase the contribution.

Contingencies

Any contract price can be divided broadly into two parts – the direct or prime costs, and the gross profit. Between the two come the contingencies, which are neither one nor the other but which are treated as prime cost or margin according to the circumstances. Thus, contingencies only serve to confuse the figures and hence the interpretation.

Contingencies should never arise out of inaccurate or approximate estimating. If there are many small items of direct expense which can only be lumped together in a sort of omnibus figure, there is no need to call this figure a contingency; rather it should be called miscellaneous material or some similar description, and hence included in the prime cost. The so-called contingency must never be used to cover up inefficiencies.

Where there is a genuine risk of further expenditure on, say, a plant or a building, arising out of a failure to meet the required performance or specification, a contingency should be included in the original estimate. The likelihood of such conditions arising will be known to the contractor by his experience and the contingency figure should be based on the *chance* of the additional expenditure being needed on a particular contract, not on the basis of assuming the worst on every contract.

The contingency figure, if any, should be kept apart from the estimated prime cost against which actual costs are compared, and also from the gross margin which is spread over the life of the contract. When the contract work is finally accepted by the customer, then the contingency, or the balance of it remaining, can be brought into the gross profit. Alternatively, it can be transferred to a separate reserve against which exceptional expenditure on other contracts can be set off. However, it is apparent that this has a misleading effect on the contract cost accounts concerned; and it does make the release from the reserves a purely arbitrary decision. If contingencies are correctly included in estimates, and then finally brought in to gross profit, a reserve account is carried automatically and it always remains a fair figure.

Profit Spreading

It has already been stated that the fundamental problem is the allocation of contract gross profits to each year. Broadly speaking, this can be done in three ways. Firstly, we can attempt to make a valuation of a contract at any given time. Secondly, we can wait until the contract is completed before we attempt to bring any profit into account. Thirdly, we can attempt to assess the profit for each period on a rather artificial basis.

The first method referred to involves the measurement of work done on any contract at a given date. This itself can be done in two rather different ways. There can either be a physical valuation of the work done, with a figure based on the appropriate proportion of the contract price, or there can be an assessment of the value using cost as the basis.

Dealing first with the physical valuation, the problem can be considered more easily in an over-simplified case. For example, a straightforward run of concrete work can be measured accurately as a proportion of the total work. This work can be done at any time, and the work involved in the measurement is relatively easy and therefore relatively cheap. It also pays for itself from the point of view of the greater degree of control which is possible. This is because if the interim valuation of the concrete work mentioned above shows that a loss is being incurred, remedial action can be taken before the job is actually completed. But to carry this method further, to more complicated plant, is not so easy, nor is it so useful. The measurement or attempt at measurement of a complicated chemical plant would take a long time, and would be inaccurate even without the difficulty of arriving at a satisfactory valuation of a large plant at the one specific time. This is

inevitable in view of the amount of work needed to do the valuation, but the relative inaccuracy of the result in valuation makes the cost involved in producing it virtually a waste of money.

Book Value

The alternative way of arriving at a valuation is to use the 'book value' using cost as the basis. In this case, the valuation is based on the current prime cost, plus an estimated percentage of gross profit margin. The danger of this method is of course, that excessive expenditure on a contract will result in extra profit being taken, rather than the reverse. Eventually a stage will be reached when the valuation has reached the contract price, but costs will still continue to rise and the fictitious profit will disappear and may become a loss.

A further difficulty involved in both methods of valuation referred to above, is that costs must also be assessed accurately up to the date of valuation. This is particularly important when the measurement is a factual one, but is not so important when the valuation is itself based on cost. The correct assessment of cost may seem easy to those used to dealing with material control in a factory, but delivery and control of material to a contract site is not nearly so straightforward. Nor is it easy to assess the cost of subcontracted work at a specified date. There may be an order from a subcontractor for electrical installation, or another order for steelwork based on a tonnage price. Both these will be very difficult to assess from the cost point of view at a given time. There will also probably be extras of some sort, claims for daywork, claims on the price variation clause and other complications affecting the assessment of actual cost.

So there are two figures involved in the assessment of profit at any given date and both of these, the valuation and the assessment of cost, can be subject to relatively large inaccuracies.

It has already been pointed out that there is a very great danger in any valuation, that if the valuation is based on cost plus the expected profit margin, the result of excessive cost will be to increase the profit brought into account rather than reducing it which would be the desired result. A further danger is that a contractor may make an assessment of the valuation to date to enable him to make an interim progress claim on the client. Such a progress claim may tend to err on the high side so as to improve the contractor's cash position, but if the same figure is used for a valuation for ascertaining a profit, it would be preferable for it to err on the low side. So sometimes in a justifiable attempt to improve the cash position, profits become overstated.

The Conservative Approach

Having emphasized the inherent dangers of any system of valuing contracts at a given date, the alternatives must now be considered. One of the other ways of dealing with this problem is to withhold all gross profit until a contract has been completed, a very conservative approach. All costs incurred are merely carried forward in the balance sheet at any given date and this position will have to continue until the contract has been completed, not only from the physical point of view, but also until all cash has been collected. Obviously this will be a considerable time after the physical completion. At the time of completion the profit is known and can therefore be brought into the accounts, subject to any small retentions for unknown factors. If performance guarantees are involved it may be a long time after the physical completion that the correct final profit is known. This position can be compared with that of underwriters who keep their accounts open for three years, so as to be able to collect all claim figures. However, in the case of a contractor the various contracts will be of differing sizes, and of differing percentage profitability and the result of this method of bringing in contracts at the conclusion will give violent fluctuations in the annual profit figure. Furthermore, it means that the size of the firm, as measured by the cost of its fixed overheads, will bear no relation to the profits brought into the accounts.

Some companies modify this latter procedure slightly by bringing into their accounts an assessment of the overheads incurred, but excluding the actual net profit until it is known. This does help to iron out the fluctuations in profits, but it should not be forgotten that the overheads themselves may easily be absorbed in losses on a contract.

Formulae

It has already been indicated that in order to measure the profitability of the firm, particularly for the benefit of shareholders, a true figure of contract profits for the financial year is required. The only satisfactory way of doing this is to carry forward all costs incurred on contracts, and to bring in to the profit and loss account an estimate of the gross profit earned to date. At one time this would have been considered impossible, and it is quite evident that even in these enlightened

days it is no easy matter and is subject to very dangerous pitfalls.

To enable us to assess the profit at any given time we have to have three things. First, the anticipated gross profit; second, the anticipated cost broken down into its individual items; third, a very tight control of actual costs against the estimated costs so that the anticipated profit figure can be revised continuously.

Even with the tightest control of cost, there will be certain contracts on which unexpected expenditure will be incurred, possibly to correct faults during construction, or possibly to put right operational difficulties. It is therefore necessary to be somewhat conservative in the spreading of the anticipated profit over the time of the contract. This spreading of profits needs to be on a consistent basis from the shareholders' point of view, as well as that of the Inspector of Taxes. In order to achieve consistency it is advisable to spread this profit on the basis of a known and previously agreed formula. For example, a certain percentage of the profit may be brought into the accounts when the whole of the drawing office work is complete. Alternatively, the same percentage may be brought in, in proportion to the drawing office work completed. A further percentage can then be included as site erection proceeds, increasing to a maximum percentage on completion of the plant. This maximum percentage should not be 100 per cent, but should be a figure such as 80 per cent, assessed according to the expected risk in the particular type of work involved. A further 10 per cent may be brought in when the plant is successfully put to work. The final 10 per cent of the profit should not be brought in until all the contractual obligations have been completed and the final payment received from the client.

Cost Control

The procedure outlined above is entirely dependent on a very close control of costs. To do this it is necessary to have a complete list of material with estimated prices, the estimate of the cost of delivery and unloading at site, an estimate of the cost of erecting the plant, including all allowances to workmen, the hire of plant, insurance, and visits of head office staff. The same applies to any other costs which are considered as direct charges to a contract.

The actual costs incurred are then compared in detail with the equivalent item in the original estimate, with the additional refinement that costs are actually incurred in some cases at the stage that an order is placed on a supplier. It is not necessary to wait until the invoice is submitted and paid. This comparison of actual costs with estimated costs will throw up a net difference, and this difference can be used as an adjusting figure to the anticipated profit; this adjustment is carried out continuously.

The control referred to above is not in itself sufficient, as there may be, for example, items which have been omitted from the original estimate. In order to deal with this sort of situation, it is necessary to have frequent reviews of further expenditure still to be incurred. This is done by obtaining an estimate of any materials that are still required, and it may be facilitated by a scrutiny of the original estimate which has marked on it the items which have already been purchased. In addition to a consideration of the cost of materials still to be ordered or manufactured, an estimate is needed of the cost of any work still to be done on site, and any additional work which may be necessary in order to complete a successful installation. This latter item will obviously not be easy to ascertain and will have to be an estimate with a rather large margin of error. Further provision should also be made for anticipated claims for extras from suppliers and subcontractors.

An additional complication arises when we try to compare actual cost with estimate in this type of business, due to changes in design either by the client or by the contractor. Some of the changes in design by the client may be chargeable to him, and in such a case there is a fresh estimate of additional material involved and the additional costs can be set against this.

On very long-term contracts there may be large increases in costs due to wage awards and increases in costs of materials, and these are often recoverable from the client. Such increases do cause an additional complication in the comparison of actual cost with estimated cost, but the percentage increases are not high in proportion to the normal degree of error in estimating. (The point is that although an estimate in total may be very close to actual cost, any one item within the estimate may not be so close.)

Conclusion

Summarizing then, costs are controlled at the time expenditure is incurred; in addition a regular and constant review is made of costs still to be incurred so that there is a continuous reappraisal of the ultimate gross profit figure. This latest

figure for anticipated gross profit is then spread over the period of the contract on the basis of an agreed formula.

This is also in line with Recommendation No. 22, paragraph 22, which states:

Long-term contracts:

In businesses which involve the acceptance and completion of long-term contracts it is often appropriate to spread over the period of the contracts, on a properly determined basis, the profits which are expected to be earned when the contracts are completed. This procedure takes up in each period during the performance of the contract a reasonable amount as representing the contribution of that period towards the eventual profit; it thus recognizes to a prudent extent the value of the work done in each period and restricts the distortion which would result from bringing in the whole of the profit in the period of completion. The principles which determine whether an element of profit is to be included are:

(*a*) profit should not be included until it is reasonably clear from the state of the work that a profit will ultimately be earned; it is therefore inappropriate to include any profit element where at the balance sheet date the contract has been in progress for a comparatively short time or to include an amount in excess of the profit element properly attributable to the work actually done;

(*b*) provision should be made for foreseeable losses and allowance should be made as far as practicable for penalties, guarantees and other contingencies;

(*c*) a clear basis for including a profit element should be established and adhered to consistently.

It must be accepted that gross profits already brought into profit may subsequently be written back as the continuous reappraisal of gross profits shows a reducing final gross profit. This does not mean that it was wrong to bring some profit in originally, but that a later period has produced a loss. In other words, the loss is attributed to the period in which it first appeared. It must also be evident that if the cost control is functioning correctly there should be no need for appropriations of profit (after tax) for possible future losses on contracts.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

AUSTRALIA

Audit Records

AUDIT working papers should be more than a key to the composition of the figures in the financial accounts. They should indicate the extent of the work done at the audit and reflect the accuracy of the client's accounting system and the strength or weakness of the system of internal control in operation. From studying them, the auditor should be able to determine the nature of his audit report and to decide on the need, if any, to modify detailed checking at subsequent audits. Finally, the working papers should be in good order so that necessary changes in staff cause the minimum of inconvenience both to the auditor and his client.

With all these objectives constantly in mind it should be the aim of every practitioner to try and ensure that a high standard is attained *ab initio* and then maintained. To help him to do so, Bulletin 5 of the Australian Chartered Accountants' Research and Service Foundation, issued recently, gives guidance on matters which should be covered in all working papers, whatever the size of the audit or of the firm conducting it.[1] The bulletin deals with the subject under three headings – the need for working papers, how to compile them and what they should contain. Two appendices, covering nearly one-half of the publication's sixty pages, set out specimen indexes and schedules.

While the Foundation does not insist that the forms it prescribes are necessarily those always to be used, it succeeds in conveying the importance of carefully documented and properly filed working papers by its own examples, the high quality of which should be an inspiration to every practitioner and clerk who studies them.

[1] *Bulletin 5: Audit Working Papers* (Australian Chartered Accountants' Research and Service Foundation, 6 Wynyard Street, Sydney. 5*s* net.)

CANADA

Lease-Backs and Consolidated Statements

MR JEAN-MARIE GAGNON, C.A., referring with approval to an article in the *Harvard Business Review*, states in *The Canadian Chartered Accountant* for January that large concerns often set up subsidiaries for the sole purpose of financing expansion. Funds are collected mainly through the sale of debentures by the subsidiary, which buys the equipment or building needed by the parent company. The two companies enter into a long-term lease which gives the parent complete control over the assets of the subsidiary. With the rental charged

the subsidiary pays the interest and provides for the redemption of the debentures. If the parent company avoids holding more than 50 per cent of the voting capital stock of the subsidiary, the balance sheets of the two companies will not be consolidated, so that the assets available to the parent together with the long-term debt will not be disclosed.

Mr Gagnon says it is the public accountant's responsibility as auditor to determine whether consolidation fairly presents the financial position. He thinks the profession should consider as a criticism the remark of the Royal Commission of Inquiry into the Prices of Food Products that balance sheets are not a reliable tool for measuring the total investment in fixed assets, because many chain groceries operate in premises leased from subsidiaries. Had the profession advocated proper accounting for leases and proper criteria for consolidation, a situation harmful to its prestige would have been prevented. Mr Gagnon urges the Canadian Institute to set up a comprehensive research programme. Thus far it has investigated only how generally accepted accounting principles should be applied. It should now provide leadership in reviewing accounting concepts before they become outmoded.

International Tax Conference

A ONE-DAY international tax conference will be held on February 22nd at the Queen Elizabeth Hotel, Montreal, under the auspices of the Canadian Tax Foundation and the Canadian Council, International Chamber of Commerce.

The proceedings will comprise five business sessions and subjects will include 'Canadian–U.S. personnel movements and taxes', by Mr Lancelot J. Smith, F.C.A.(CAN.), vice-chairman, Canadian Tax Foundation; 'U.S. western hemisphere trade corporations', by Mr Julian O. Phelps, C.P.A., of Coopers & Lybrand, of New York; and 'Tax planning for exporters', by Mr Frank B. Common, Junr, Q.C. At the session on 'Taxation policies in relation to international investment', one of the three speakers will be Mr E. B. Nortcliffe, overseas taxation manager, Unilever Ltd. The guest speaker at the conference will be Mr Hickman Price, Junr, Assistant Secretary, Department of Commerce, Washington.

UNITED STATES

Mathematics and Statistics in the Accounting Curriculum

MR R. GENE BROWN, graduate of the Harvard Business School, suggests in the January issue of the *Journal of Accountancy*, that the accountant, as adviser to management, must be familiar with the new quantitative techniques available for the decision of many managerial problems. The best member for that specialized section of a professional accounting firm's staff which is concerned with such matters as operations research is generally felt to be one trained in mathematics and statistics as well as accounting. But even those accountants involved in more traditional activities should have sufficient acquaintance with the latest quantitative techniques to recognize their potential application.

Mr Brown thinks that many of the accounting courses at present given in the universities have gone beyond the point of diminishing returns – advanced cost, advanced tax, advanced auditing, systems, machine accounting, EDP, etc. He would have dead wood such as the outmoded mathematics of finance and descriptive statistics cut away, together with one or two accounting electives, and replaced by mathematics, mathematical statistics and a quantitative methods course related to the business world.

Professional Development Programme

MR EDWARD J. BUEHLER, C.P.A., President of the New York State Society of Certified Public Accountants, writing in *The New York Certified Public Accountant*, for December 1961, refers to the appointment of Dr Francis K. Ballaine formerly Dean of Adelphi College and Director of its Executive Development Programme, to develop and co-ordinate a professional development programme for the Society.

New courses developed by the American Institute will be used, and some of them, such as budgeting, preparation of reports and tax planning, are already being operated. The courses run from one to four days. Eight others are in various stages of completion. Ultimately courses of its own will be developed by the Society to fill the special needs of the State.

The President sees this as an important factor in the future growth of the profession in New York State. It should help members to keep abreast of the tremendous potential ahead for C.P.A.s, as they enter the electronic age and move ever closer to their function as business advisers to top management.

GERMANY

Tax Law Limits Travel Expenses

THE Finance Minister of the State of North Rhine-Westfalia recently issued regulations limiting the amount of travel expenses which may be deducted in arriving at taxable profit. For commercial travellers' journeys within the country, the following rates are to be used:

(*a*) Employee's income less than DM9,000 p.a. (about £800)..	DM16 per day
(*b*) Employee's income DM9,000–DM18,000 p.a.	20 ,,
(*c*) Employee's income over DM18,000 p.a.	22 ,,
(*d*) New businesses – all employees	20 ,,

Other employees enjoy the same rates of allowance for journeys within the country, except that in some cases reductions may apply.

Stock Valuation — The Revenue's View

by H. G. THOMAS

Senior Principal Inspector of Taxes concerned with Stock Valuation

A practitioner's view of the valuation of stock and work in progress was given in 'The Accountant' of January 27th. The paper reproduced below, which gives the Inland Revenue view, was presented at a lecture meeting of the London and District Society of Chartered Accountants.

THE valuation of trading stocks has assumed increasing importance in recent years and has attracted a great deal of attention during the past twelve months, what with the issue by The Institute of Chartered Accountants in England and Wales of Recommendation 22 and the judgment in the House of Lords in the *Duple Motor Bodies* case. Both the accountancy profession and the Inland Revenue have recognized this situation.

It is true that the ranks of Inspectors of Taxes, as well as those of the accountants, no doubt contain a small quota of heretics. There is always the school of thought which regards the exploration of stock valuation as an unrewarding pursuit because, it is argued, what is lost or gained by an incorrect valuation is adjusted in the next or at least some future year. Nobody, of course, could apply this reasoning to terminal taxes like E.P.T. and E.P.L., but there would be some colour for this line of thought as applied to a continuing tax, such as income tax, if the levels of prices and economic activity were to remain more or less constant. But in fact they never do and this has been particularly the case in the post-war world, with a steady long-term trend towards growth in the economy and an increasing physical volume of stock accompanied by an inflationary tendency as far as most costs are concerned.

Mr H. G. Thomas

From a fiscal standpoint the correct valuation of stock is important for several other reasons. In the first place, there is the statutory requirement that the profit under Schedule D is to be the full amount of the profits or gains of the basis year (section 127, Income Tax Act, 1952), i.e. what has to be computed are the profits or gains of a particular year. Secondly, where the liabilities of individuals are concerned, involving possibly substantial amounts of surtax, the incorrect attribution of profit, as between one year and another, may materially affect the tax payable. Moreover – and this may apply to individuals, partnerships and corporate bodies alike – a long-term undervaluation may present the trader finally with a heavy liability arising out of the provisions of section 143, Income Tax Act, 1952, which as you know deals with the valuation of stock whether realized or not on the discontinuance of a trade – unless the trader is an individual and dies in harness, so to speak, when the provisions are inapplicable. But the most powerful consideration is the one I have already mentioned, namely, the long-term tendency for the volume of stock, as well as its cost, to increase. In these conditions a continuing undervaluation will result in an indefinite time lag operating against the Revenue with the risk of permanent loss of tax.

Accountants are well aware of these tax considerations. In addition, of course, they have their responsibilities as auditors and as advisers to their clients. It would be presumptuous on my part to tell an audience such as this the scope of their responsibilities, or to attempt to define these. An outsider may perhaps be permitted to observe that the majority of the profession would no longer regard Lord Justice Lindley's judgment in the *Kingston Cotton Mill* case, delivered over sixty years ago, as providing a golf-size umbrella exempting auditors from all but the minimum of inquiry. Indeed, the leaders of the profession have in recent years on a number of occasions publicly stressed the importance of an inquiring and critical approach towards the valuation of stock. Recommendation 22, if I may say so, has given up-to-date and comprehensive guidance and quite recently further counsel has been delivered in the Institute's 'Statements on Auditing – 1: General Principles of Auditing'.

Enough has been said to show that the accountancy profession shares with the Revenue a great deal of common ground in this matter of stock valuation. Broadly, the two sides are moving in the same direction although their particular routes may diverge. What I hope to do in this paper is to give you a glimpse of the philosophy of stock valuation as it is understood in Somerset House.

In a fairly recent issue of *The Accountant* a leading article appeared under the interesting heading 'The Revenue on the carpet'. The writer pointed to a parallel, although he good humouredly admitted it was not a very close one, between the 'castle' of Franz Kafka's famous novel and the organization immured in Somerset House. At this point may I be allowed to make a confession and perhaps commit an indiscretion. Most of my own career has been spent outside those walls. At the time I took up duty at Somerset House I happened to be reading *The Castle* and the same wicked thought did actually cross my mind. I am sure that it was the architectural characteristics of the structure, rather than the ideological outlook of its personnel, or their attitudes, which stimulated the misconception. No doubt those of you who have happened to have read this book will agree that any resemblance is of the most superficial kind. The Revenue does not wish to operate in the same mysterious and arbitrary fashion as the inhabitants of *The Castle*. As far as stock valuation is concerned, I think this is instanced by the talks between the representatives of the Institute and the Board of Inland Revenue following the publication of Recommendation 22 and the delivery by the House of Lords of the *Duple* judgment. The talks, as you know, were followed by the issue of a letter from the Chairman of the Board, putting on record the matters discussed and the measure of agreement reached. This paper is a further attempt to explain the Revenue's attitude.

Revenue Inquiry Technique

Most of the business between the Revenue and the profession is conducted between the inspector of taxes in the district and the practising accountant. The best way is perhaps to begin with the technique of the normal inquiry made by the inspector of taxes in the district, when he sets out to examine the basis of stock valuation in a particular case. We can then proceed to look at some principles on which accountants and inspectors are not always in complete agreement.

Broadly, the inspector's inquiry may be divided into two stages. In the first place he must ascertain the facts, and secondly he has to ask himself whether on these facts the valuation is a satisfactory one for tax purposes. May I be forgiven for appearing to stress the obvious when I say that the prime duty of an inspector of taxes is to assemble all the necessary information in a precise form. Without this prerequisite there can be no intelligent criticism or appreciation of the situation. There was a time when a simple assurance that the stock was valued on the same basis as before, i.e. at cost or market value, whichever was the lower, was normally regarded as sufficient. The accountant's reply was ticked by the inspector and a note made in the District Permanent Notes file, and everybody relaxed for another few years, at the end of which period the exercise was probably repeated. Nowadays, of course, it is necessary to carry out the inquiry at rather greater depth. At least, the inspector must understand the terms used by the taxpayer or his adviser and this may involve, in some cases, some knowledge of the processes of production in the kind of business being examined. Clearly it is essential to know precisely what is meant by such an all-embracing term as 'cost'; whether, for example, transport charges to bring the stock to its existing location have been included, whether the basis is that of actual cost, unit cost, average cost, moving average cost, standard cost, etc., and the degree to which oncost has been included. Similarly, it is necessary to know what is meant by market value – replacement cost, notional replacement cost, market selling value, etc. Until the facts are fully known the inspector cannot consider whether the basis is one which fits the facts.

Inspectors, of course, are encouraged to be reasonable in ther requirements. The Revenue has no desire to start a general witch hunt or to obtain an excess of detail in cases which are clearly small and unimportant. The Revenue welcomes the emphasis in Recommendation 22 that all stocks belonging to a business should be taken into account 'whatever their location or nature', as well as the paragraphs dealing with 'Description in the annual accounts'. To the extent to which the recommendations are accepted and implemented by the majority of members, the field of inspectors' inquiries should be by so much circumscribed.

It should not be necessary for the inspector to burden the accountant with a stock inquiry every year. Normally, an inquiry at intervals of something like five years would be sufficient. This would be particularly true if the suggestion in Recommendation 22 that 'the effect of any change of basis or method of computation should be disclosed if the effect of the change is material' (that is to say, disclosed on the face of the accounts) were to become the generally accepted practice.

Commercial Valuations not the Criterion

The facts have now been assembled and the inspector must decide whether the basis is acceptable. We are now entering a more controversial field. The *Duple* case has answered one question, but the application of the ratio of its decision raises some others. My colleagues in Somerset House have suggested, playfully I think, that after *Duple* I should be out of a job, or rather out of one of my jobs. But the signs are that *Duple* has not finally stifled controversy and legitimate differences of opinion will no doubt arise for quite a while yet.

There is no statutory guidance on the principles of stock valuation for tax purposes, but the decided

cases do provide a certain number of pointers. The problem that is always with us is the relationship between commercial valuations and valuations which are acceptable for tax purposes; and this is the nub of the relations between the Revenue and accountants on stock questions. Not infrequently the accountant contends that if a valuation is acceptable from the commercial point of view, and if it is in accordance with recognized accountancy practice, it cannot be challenged for tax purposes. This, although an understandable point of view, is one which the Revenue must reject. It is understandable because of the attitude of the Courts towards questions of value. Professor Gower speaks of this in his book *Modern Company Law*, when writing of the maintenance of capital, involving the valuation of business assets:

> 'But even then the principle was not as watertight as it appeared for value is an uncertain concept and the Courts were ill equipped to assess it. Hence they were largely in the hands of accountants, and accountants, as we have seen, had their own notions including that of the division of assets into fixed and circulating capital and the non-revaluation of the former. After a few years, therefore, the Courts abdicated almost completely in favour of accountants and their business men clients.'

But he goes on to point out that this was not quite the end of the story.

In the matter of stock valuation, it is recognized that perfection is not attainable, but the Courts have stressed that whatever system of valuation is adopted it should as nearly as possible accord with the facts. The case of *Minister of National Revenue v. Anaconda American Brass Ltd*, Privy Council, December 13th, 1955, on appeal from the Supreme Court of Canada illustrates this principle. This case concerned the LIFO method which had been adopted by the company and had been approved by the Canadian Court. The point at issue goes to the heart of the matter. The following passage is taken from the headnote to the judgment.

> 'Held that the FIFO and not the LIFO method must be adopted in the present case. Since the decision in *Whimster & Co v. C.I.R.* (1925) 12 T.C. 813, what was to be valued at the beginning and end of the accounting period had for tax purposes been taken to be the actual stock as far as could be ascertained. Here there was a large quantity of metal in the 1947 closing inventory to which the 1936 cost had been ascribed by the company. The profit of a trade or business was the surplus by which the receipts exceeded the expenditure necessary for the purposes of earning those receipts, and no assumption need be made unless the facts could not be ascertained. There was no room for theories as to flow of costs, nor was it legitimate to regard the closing inventory as an unabsorbed residue of cost rather than as a concrete stock of metals awaiting the day of process. It was the failure to observe or the deliberate disregard of facts which could be ascertained and must have their proper weight ascribed to them, which vitiated the application of the LIFO method in the present case. New theories of accountancy, though accepted for business purposes, might not necessarily determine income for tax purposes.'

The same point was made in the case of *Patrick v. Broadstone Mills Ltd* (35 T.C. 44; 32 A.T.C. 332). This case as you know concerned the valuation on the base stock principle of certain stocks in process in a cotton spinning mill. The Special Commissioners had found as a fact that the base stock method was one of the methods recognized in the trade of cotton spinning and was in accordance with sound commercial practice. Nevertheless, both the High Court and the Court of Appeal rejected the base stock method, regarding it as unacceptable for tax purposes. The method involved the adoption of arbitrary rather than actual figures. Although the method accorded with a recognized system, it was not the method which showed most accurately the position between the Revenue and the taxpayer.

This principle that the practice of accountants 'though it were general or even universal, could not by itself determine the amount of profits or gains of a trade for tax purposes', was affirmed by the House of Lords in the *Duple Motor Bodies* case.

I apologize if I have unduly laboured this point, but the relationship between recognized accountancy practice and the basis acceptable for tax is a subtle one and a matter which gives rise to a good deal of misconception. Paragraphs 23 and 24 of Recommendation 22 describes the base stock and last in, first out methods. I have tried to explain why the Revenue has to reject them. I should perhaps add that I have seen little sign that these methods are employed nowadays to any great extent by concerns in the United Kingdom.

I should perhaps say a word about standard cost. This method, in strictness, is not acceptable for reasons similar to those which prompted the rejection of the base stock and LIFO methods. The method involves the use of a predetermined or budgeted cost per unit instead of actual cost. In practice, however, if standard costs are shown to be reasonably accurate and are revised at frequent intervals, they are accepted by the Revenue as a sufficiently close approximation to actual cost. This attitude does not differ greatly from the views expressed in paragraph 11 (*d*) of Recommendation 22.

The Revenue View of 'Cost'

The basic Revenue view is that 'cost' means actual or historical cost. At the same time it is recognized that there are sometimes bona fide difficulties in arriving at true historical cost and some compromise has to be effected. If actual cost can be ascertained, assumptions are unnecessary. If not, the method which gets as near as possible to historical cost is the one to be used. Thus in the case of certain departmental stores the adjusted selling price method has been admitted. In this type of business, it is often found that the original cost is not recorded on the article or in branch records and that the attribution of a cost figure to each article is either impossible or impracticable. In the circumstances we have adopted a working approximation.

I am sure that this talk would not be regarded as complete without reference to the consequences of the recent decision in *Duple Motor Bodies* on Revenue policy. Before the *Duple* case, the Revenue's view was that in the case of a manufacturing concern, strictly speaking all expenses other than those of finance and selling were costs of production and should be reflected in the oncost loading. At the same time, the diversity of accountancy opinion and variations of commercial practice were recognized and the Revenue was prepared to negotiate settlements on reasonably broad lines. In *Duple*, the Courts refused to decide between the rival claims of direct cost and oncost as a matter of broad principle. They decided that the Duple company which had valued its work in progress on the direct cost basis for many years could not be compelled to change to the oncost basis. The House of Lords found that the direct cost method was one of the methods which was recognized as sound accountancy practice and at the same time did not violate any of the taxing statutes. There was no one, universally acceptable, basis. The basis must be considered in relation to the circumstances of the particular business. It is interesting to note that Viscount Simonds saw no impossibility in either the direct cost method or the oncost method showing the full amount of the profits or gains, although each method would produce a different result. Lord Reid, in commenting on the Special Commissioners' findings, thought that this might mean that over a period of years both methods might produce roughly the same aggregate profit. Alternatively, he said, that it might be that 'one or other method will produce a true figure, depending on the nature of the business, and that seems to accord with the recommendations of the Institute'.

Importance of Consistency

I do not think that Recommendation 22 amounts to a system of rules or principles from which it is possible to select for any particular business according to its nature, one method and one method only of stock valuation, although, of course, it gives valuable guidance. In any case, we do not start off in this way. We face a business world in which a great diversity of bases actually exists. The Inland Revenue Department is perhaps in the best position to appreciate this diversity because it sees all the cases. From my own experience and some statistics I have collected, it is clear that some degree of oncost is included by the great majority of manufacturing concerns, but the degree of the oncost loading proceeds through all kinds of varieties of variable factory oncosts, through full factory oncosts to full oncosts. It is difficult to perceive any coherent pattern according to industry, although perhaps the older established kind of industry tends to include a greater proportion of direct cost valuations. There is no doubt that tradition has a certain influence on the basis adopted and that the pattern is not entirely a logical one.

The judges in the *Duple* case stressed the importance of consistency as does Recommendation 22. As Lord Reid said:

> 'One thing clearly emerges as approved by the accountancy profession – whatever method is followed it must be applied consistently. I accept that. So the real question is what method best fits the circumstances of a particular business. And if a method has been applied consistently in the past, then it seems to follow that it should not be changed unless there is good reason for the change sufficient to outweigh any difficulties in the transitional year.'

Both practical considerations and the opinion of the judges put a heavy emphasis on the maintenance of the *status quo* in an existing business. In a new concern it is hoped that the guidance of Recommendation 22 will be observed. The majority of accountants would, I think, agree that in the general run of manufacturing businesses it would be appropriate to include at least variable overheads and that in a substantial number of cases it would also be appropriate to include a measure of fixed overheads.

I should like to say a few words about change of basis and about consistency. The House of Lords said that there must be good reason for a change, sufficient to outweigh the difficulties in the transitional year. Obviously the case for justifying a change can only be considered in relation to the individual circumstances of each instance. As we gain more experience in the post-*Duple* world, we shall no doubt be able to evolve some principles or, if that is too high sounding a term, some working rules. A change in the nature of the business would be one kind of case where a change of valuation might be justified. The acquisition of a company by a group and a change of basis to conform with group practice might be another – although it might not be easy in a particular case to reconcile this with Recommendation 22. In every case of change the transitional difficulties have to be faced. This means that normally, in accordance with the decision in *Bombay Commissioners of Income Tax v. Ahmedabad New Cotton Mills Co Ltd*, the stock at the beginning of the basis year of the year of change must be valued on the same basis as at the end. Moreover, where in the case of an oncost change there is a change from one valid basis to another valid basis, there is no scope for the revision of liabilities of earlier years either by way of additional assessments on the one hand, or error or mistake claims on the other. This does not mean to say that every small change in the method of computation of stock values should necessarily call for *Ahmedabad* treatment. Where the change is no more than a refinement of an existing basis, or is designed to ensure greater accuracy, or in particular arises from a change in the circumstances or processes of a business giving rise to a change of oncost loading, there may be a case for ignoring *Ahmedabad* treatment but each case will have to be considered on its own facts.

There is one thing I should like to say about consistency. Consistency in my view means consistency of principle, i.e. consistency of the factors entering

into an oncost loading. Mere numerical consistency is unlikely to achieve this. A loading of, say, 100 per cent fixed ten years ago is unlikely to be equally appropriate to the circumstances of today. Yet we find quite a few cases where this kind of fixed percentage loading is applied. To my mind it cannot be reconciled with the counsel of Recommendation 22. In any particular business the oncost element may tend to increase or decrease, but taking the economy as a whole there is plenty of evidence that oncosts tend to be an increasing proportion of total costs. It is common knowledge, for example, that the proportion of white-collar workers to manual workers is ever increasing.

Market Value

I have been speaking so far mainly about the conception of cost and I should now like to round off my remarks on the theory of valuation with a very quick consideration of the other leg of valuation, namely, market value. There is judicial authority (arising from *Whimster & Co v. C.I.R.* (12 T.C. 813; 4 A.T.C. 570) and recently approved by the House of Lords in the *Duple* case) for the principle that the only reason for permitting a valuation below cost is to enable the trader to provide against an eventual loss on sale. Market value therefore means, in the Revenue's view, market selling value measured by estimated eventual sale proceeds, i.e. in the market in which the trader normally sells his goods. Replacement cost is therefore not normally acceptable. The Revenue, however, does accept replacement price in the case of raw materials. The reason for this apparent exception to the general rule is that normally in the case of raw materials of a taxpayer's trade there is no selling market, as such, for the raw materials and the price at which he can replenish his stock of raw materials is the only available measure of the current market price of such raw materials. We do not admit replacement price in the case of raw materials covered by firm orders (there are examples in the textile trades), for the reason that in this case there can be no eventual loss on sale and the correct valuation is at cost. In order to dispel any misconception, I should like to make it clear that when the Revenue speaks of raw material in this context it means raw materials of the particular trade or business.

In certain industries the value of the raw material content forms a high proportion of the total value of stock in process of production and the price of the raw material is liable to considerable fluctuations. In such circumstances, it is common practice to make rapid changes in selling prices to accord with the changes in the price of raw material. In cases of this kind the Revenue would agree that in practice the replacement price basis may be extended to cover stocks in process of production and finished stocks as well as to stocks of raw material.

The term 'net realizable value' appears in Recommendation 22. In general, the Revenue has accepted what the Recommendation says on this subject. However, the suggestion in paragraph 13 that 'all expenditure to be incurred on or before disposal should be deducted' is only acceptable with reservations. The Revenue would not admit that the general selling costs should be allowed. In practice, specific indentifiable items of expenditure directly connected with the stock in question, including provision for commission and brokerage which have to be incurred on sale, would be allowed.

Before I leave the subject of market value, I had better add a few words about the problems of slow moving stock, e.g. motor-car spares or books. We shall assume in these cases that the goods are in perfect condition and the full price is still asked but that stocks are held in such quantity that it is probable that some will never be sold. For example, a publisher may say that a particular book is slow moving. This fact alone does not justify valuing any of the stock below cost if, in fact, all copies will ultimately be sold at a profit. At the same time, the publisher is entitled to have regard to the level of stock, the level of sales and the probable course of future sales and the number of copies which will probably never be sold. We do ask that the trader in these cases should make use of his knowledge and experience to make a genuine estimate of the loss he can expect to suffer and not, as we sometimes find, deduct a purely arbitrary percentage from cost which does no more than ensure that the stock will certainly not be overvalued.

A great deal more could be said about theories of stock valuation. Some theorization and systematization is of course essential, but it is necessary to avoid the danger of becoming theory obsessed. Valuation is probably more of an art than a science and it cannot be over-emphasized that as Recommendation 22 says in its first paragraph: 'The need to give a true and fair view is the overriding consideration applicable in all circumstances.' Terms like true and fair import value judgments and are perhaps largely subjective concepts. We are, however, more likely to come to terms on these matters if both sides approach the problem as reasonable men.

Form 81

Before I bring this talk to a conclusion, I should perhaps say something about the only form the Revenue uses in connection with stock valuation, a form which is certainly known to you all, the Form 81 or stock certificate, as it is commonly called, at least within the department. The front of the form contains the certificate while on the back there are questions about reserves and suspense accounts as well as the value of the stock and the basis. At one time, the form was used perhaps rather too indiscriminately and a greater selectivity has been encouraged in recent years. The form is often used at the close of an inquiry into the basis of stock valuation and it does not seem to me to be an unreasonable request that at the close of such an inquiry, which has normally taken the form of question and answer as between inspector and accountant, a certificate signed by the taxpayer himself should be obtained.

It may be mentioned also that when the present form was drafted the accountancy profession was consulted. Moreover, little or no objection to the form was taken during the proceedings of the Tucker Committee and the Royal Commission. On the whole, the form has provoked very few objections or complaints, but occasionally we have had an objection from an accountant on the grounds that one or more questions in the form are covered by the responsibilities placed on the accountant by the Companies Act, 1948. This, of course, applies to the accounts of limited companies and the objection is not relevant and is usually not made as far as the accounts of individuals or firms are concerned. The Revenue's attitude to this type of complaint is that the responsibility of auditors for the actual stock figures appears to be left in some uncertainty by the Companies Act and that there are auditors who still consider that the main responsibility for the accuracy of the valuation rests with the company. The Revenue considers that the use of some type of stock certificate is justified. There are matters on which the Revenue is entitled, if it wishes, to have an assurance from the taxpayer himself. The use of the form does not imply any reflection on the honesty of the taxpayer or the honesty or competence of the accountant. It is felt that the certificate is a safeguard both to the Revenue and the accountant.

Nevertheless, I would admit that there may be some room for criticism of certain of the questions as being superflous in view of the Companies Act, 1948. However, the form has been with us for a long time and has aroused few critics and the time is not opportune for change. It may be more appropriate to await the results of any change in the law which may arise out of the report of the Jenkins Committee. It is noted that the Institute has made certain submissions to that committee with regard to the amendment of the Companies Act in connection with stock, including a recommendation for the indication of the basis of valuation on the face of the accounts. No doubt, when the time is ripe, the layout of the form will be reconsidered and the profession will be consulted. Meanwhile, I would ask the few accountants who do not like the form very much to be patient and for the time being to co-operate in its completion.

Retirement and Superannuation Benefits

LIABILITY TO ESTATE DUTY

The following notes prepared by the Board of Inland Revenue set out in general terms the present practice of the Estate Duty Office regarding liability to estate duty on lump sums and annuities payable on death under employees' retirement benefit schemes and superannuation funds. They also apply to retirement annuity contracts and trust schemes approved under section 22 of the Finance Act, 1956.

A. Payments to the Deceased's Legal Personal Representatives

1. Payments that are legally due to the legal personal representatives and cannot be withheld from them at the discretion of any person exercisable after the death are liable to duty as part of the deceased's free estate. The legal personal representatives are accountable for the duty under section 8 (3) of the Finance Act, 1894.

2. Amounts liable to duty under this head are subject to normal aggregation with other property passing on the death for the purpose of determining the rate of duty.

B. Where the Deceased had a General Power of Nomination

3. Where the deceased had a general power to nominate a benefit to anyone he wished and he had not exercised his power irrevocably in his lifetime, the benefit is liable to duty under section 2 (1) (*a*) of the Finance Act, 1894, and the legal personal representatives are accountable for the duty under section 8 (3).

4. The case where the deceased had at the time of his death an option to have a sum of money paid to his legal personal representatives normally falls under this head. Where, however, an annuity is payable to the deceased's widow, widower or dependant under a contract or trust scheme approved under section 22 of the Finance Act, 1956, and the deceased had an option to have a sum of money paid instead to his legal personal representatives, duty is not charged under this head (section 39 (2) of the Finance Act, 1957).

5. Amounts liable to duty under this head are subject to normal aggregation with other property passing on the death.

C. Annuities which Continue to be Payable after the Deceased's Death

6. Where an annuity was payable to the deceased during his lifetime and the same annuity is payable after the death to some other person, duty is claimed under section 1 of the Finance Act, 1894, if *both* the following conditions are satisfied:

(*a*) A single annuity must have been created which continues after the death; for example, an annuity for the life of the deceased or for five years certain whichever is the longer, or an annuity for the longer of the lives of the deceased and his wife.

(*b*) The annuity must subsist as a separate item of property. This condition is regarded as satisfied

if the annuity was a continuing charge on some property, for example, on the income of a trust fund; or if the annuity, although not a charge on any property, was payable for the whole of its term to the same grantee, for example to an employing company or to the trustees of a scheme, and was held by the grantee on trust for different persons in succession.

7. The beneficiary, and also the trustees or other persons in whom the annuity or the management of it is vested, are accountable for the duty under section 8 (4) of the Finance Act, 1894.

8. Annuities payable under employees' superannuation arrangements, which are liable to duty under this head, are subject to normal aggregation with other property passing on the death. An annuity payable to the deceased's widow, widower or dependant under a retirement annuity contract or trust scheme approved under section 22 of the Finance Act, 1956, is subject only to the limited aggregation with policies on the deceased's life in which he never had an interest, as defined in section 33 (2) of the Finance Act, 1954.

D. Interests Provided by the Deceased

9. Where an annuity or other interest was purchased or provided by the deceased, duty is chargeable under section 2 (1) (*d*) of the Finance Act, 1894, to the extent that a beneficial interest accrues or arises on his death. Before duty can be charged under this head, all the three following conditions must be satisfied:

(*a*) *The deceased must have purchased or provided the annuity or other interest.*

This condition is regarded as satisfied if the deceased made some pecuniary contribution towards its cost, for example, by deducting from his pay or by forgoing some part of his emoluments; or where he gave up some benefit to which he was otherwise entitled, for example, by surrendering part of his pension. It is also regarded as satisfied if the annuity or other interest was purchased or provided by a person, for example, the employing company, who was entitled to, or amongst whose resources there was included, property derived from the deceased (section 30 (1) of the Finance Act, 1939).

(*b*) *The benefit must be legally due and not subject to the discretion of any person exercisable after the death.*

(*c*) *There must be 'a beneficial interest accruing or arising' on the death.*

This condition is regarded as satisfied only where a contingent interest becomes vested, or a defeasible interest becomes indefeasible, on the death so that the identity of the beneficiary is not finally determined until the death.

Examples of cases where this condition is regarded as satisfied are:

(i) where the deceased dies before retirement and an annuity or lump sum becomes payable to his widow instead of the retirement pension he would have got if he had reached retiring age;

(ii) where the deceased surrendered part of his retirement pension for an annuity for his widow to start on his death *and he retained the right to revoke the surrender up to the time of his death* (the condition would not be regarded as satisfied if the surrender was irrevocable or became irrevocable before the deceased's death).

10. The mere fact that an annuity for life is expressed to be payable only if the annuitant survives the deceased is not of itself regarded as making it 'a beneficial interest accruing or arising' on the death nor is the fact that certain events such as divorce or dismissal would have prevented its being payable.

11. It is no longer the practice to regard an annuity as 'a beneficial interest arising or accruing' on the death simply because the recipient was debarred from surrendering, charging or assigning it before the death.

12. The beneficiaries, and also the trustees or other persons in whom the property or the management of the property is vested, are accountable for the duty under section 8 (4) of the Finance Act, 1894.

13. Where duty is claimed under this head, the property chargeable is treated in accordance with section 4 of the Finance Act, 1894, as property in which the deceased never had an interest and is not liable to normal aggregation for the purpose of determining the rate of duty.[1]

14. Where the property chargeable with duty is a policy on the deceased's life, or is the money received under such a policy, or is an interest in such a policy or money, it is subject to limited aggregation under section 33 (2) of the Finance Act, 1954. Section 33 (2) is not considered to apply, however, where the beneficiary is entitled under the rules of the scheme or fund to a lump sum or annuity of stated amount, even though the trustees or the employers may have effected a policy payable to themselves in order to satisfy their obligations, and such benefits are therefore not subject to any aggregation.

15. Any annuity in favour of a widow, widower or dependant arising under a contract or scheme approved under section 22 of the Finance Act, 1956, if chargeable to duty is subject to the limited aggregation under section 33 (2) of the Finance Act, 1954.

General

16. A benefit which escapes duty under one of the above heads may, of course, be liable to duty under another head. For example, where the deceased had a power of nomination, but the power was restricted to a limited class, duty will not be chargeable under head B, but it may be chargeable under head C or D.

[1] Exceptionally, if the benefit was purchased or provided by a person who was entitled to, or amongst whose resources there was included, property derived from the deceased the special provisions of section 30 (2) of the Finance Act, 1939, apply and the sums chargeable are fully aggregable.

Weekly Notes

THE INSTITUTE'S EXAMINATIONS

THERE were 4,005 candidates for the November 1961 examinations of The Institute of Chartered Accountants in England and Wales. Of 1,696 candidates for the Final examination, 813 (47·9 per cent) passed and 883 failed; in the May 1961 examination 693 (46·3 per cent) passed and 805 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the William Quilter Prize, the O. C. Railton Prize for the year 1961, and the Plender Prizes for the papers on Auditing and English Law (Part II) were won by Mr William Bates, of Nottingham. Mr Jeffery Haverstock Bowman, of London, won the Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part I); and the Third Certificate of Merit and the Charles M. Strachan Prize were won by Mr Anthony Warren Davies, also of London.

In the Intermediate examination, there were 2,091 candidates, of whom 939 (44·9 per cent) passed and 1,152 failed; in the May 1961 examination 944 (48·3 per cent) passed and 1,012 failed. The First Certificate of Merit, the Institute Prize and the Stephens Prize were won by Mr Robert William Maas, of London. The Second Certificate of Merit and the Tom Walton Prize were won by Mr Christopher Douglas Collins, also of London; and the Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize were won jointly by Mr Frederick William Bush and Mr Raymond Victor Jayson, both of London.

In the Preliminary examination, 218 sat, of whom 57 (26·1 per cent) were successful and 161 failed; in the May 1961 examination, 71 (33 per cent) passed and 144 failed.

A full list of successful candidates, together with a summary of results, appears elsewhere in this issue.

THE SOCIETY'S EXAMINATIONS

THE three Chartered Institutes, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Final examination of the Society in November 1961. There were thirty-six successful candidates eligible for membership of the English Institute, and eight successful candidates eligible for membership of the Irish Institute.

A list of successful candidates, together with a summary of the results, appears on another page.

EUROPEAN ACCOUNTANTS' CONGRESS

THE Policy Committee of the European Congress of Accountants to be held in Edinburgh in September 1963, announced this week that H.R.H. The Duke of Edinburgh has kindly consented to give his patronage to the Congress, of which The Institute of Chartered Accountants of Scotland will act as host organization. The news was received by the Committee on February 9th at its second meeting (preliminary details of the Congress were first announced in *The Accountant* of December 2nd last).

The Policy Committee – which is an international one, with representatives not only from accountancy bodies in Great Britain and Ireland, but also from Belgium, Denmark, France, Germany, the Netherlands and Switzerland – has now decided that the official days of the Congress will be Tuesday, September 10th, to Friday, September 13th, 1963.

Four business sessions will be held, and a full programme of social events is being arranged to include at least one banquet and a ball, and special entertainment for the ladies of participating accountants. At the business sessions papers will be presented by accountants from different parts of Europe; the subjects of the papers, as determined by the Congress Policy Committee, will be:

Auditing – the ways in which the professional responsibilities of the auditor are discharged in the context of the obligations imposed on him in various countries.

Accounting Principles – the accounting principles and conventions adopted in the preparation of statements of operating results and of assets and liabilities for purposes of management and for publication to shareholders.

The Impact of Electronics on the Accountant of the Future – in relation both to the accountant in practice and to the accountant in industry.

The Accountant's Contribution to Small Businesses, particularly in connection with Specialized Services.

The official languages of the Congress will be English, French and German, and arrangements are being made to provide simultaneous translation at the business sessions for all three languages.

LEVERHULME RESEARCH SCHOLARSHIP

ON another page an official announcement relates to the offer of a Leverhulme Research Scholarship in accounting services for management purposes and invites applications. The scholarship will be tenable for one year and is worth £2,000 in addition to the reimbursement of the expenses of travel necessarily undertaken by the scholar in the course of his research studies.

Applicants, who should be British born, are required to hold a recognized accountancy qualification besides having had experience which has enabled them to acquire an appreciation of the problems of operating management, either in public practice or in a commercial or industrial appointment.

These accounting scholarships were first offered by the Leverhulme Trust in 1955, though no award was made in that year as no suitable candidate appeared before the selection panel. However, in 1956, two accountants were awarded scholarships; one was Mr Christopher Bostock, M.A., F.C.A., whose thesis has since been published under the title of *Management, Accounting and Profitability* (Pitmans, 18s); the other was Mr Leonard Hardy, A.A.C.C.A., F.C.W.A., whose thesis on financial forecasting and planning in the field of product development and distribution is now in process of publication.

The chairman of the selection panel for the present scholarship is Sir Harold Howitt, G.B.E., D.S.O., M.C., F.C.A., and the members are Mr H. A. Benson, C.B.E., F.C.A., Mr W. W. Fea, B.A., F.C.A., Mr L. C. Hawkins, F.C.A., members of the Council of the Institute, with Mr J. C. Walker, F.C.A., chief accountant of Unilever Ltd.

N.E.D.C. APPOINTMENTS

WITH the promise of T.U.C. participation, Mr Selwyn Lloyd has announced the first ten members who, together with himself, the President of the Board of Trade, the Minister of Labour, and the Director-General of the Council, Sir Robert Shone, and six T.U.C. nominations, will make up the twenty-member Council.

The ten appointments include that of Mr J. N. Toothill, C.B.E., F.C.W.A., of Edinburgh, director and general manager of Ferranti Ltd, and chairman of the committee whose forthright report on the state of the Scottish economy was recently published. Among other industrialists appointed to the Council are Mr F. A. Cockfield, who, since leaving the Inland Revenue, where he was Director of Statistics and Intelligence and latterly a Commissioner, has been chairman of Boots Pure Drug Co Ltd, and Mr R. M. Geddes, O.B.E., managing director of Dunlop Rubber Co Ltd. They are joined by Mr C. E. Harrison vice-chairman of the English Sewing Cotton Co Ltd, who is also this year's President of the Federation of British Industries; Mr E. J. Hunter, C.B.E., chairman of Swan, Hunter & Wigham Richardson Ltd who is Director of the British Productivity Council; and Mr J. M. Laing, managing director of the construction firm bearing his name, who is also a member of the Economic Planning Board.

It is gratifying that room has been found for two members who are unaffiliated to any industrial or trade organization; they are Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E., Provost-elect of Worcester College, Oxford, and Professor H. Phelps Brown, of London University, an economist specializing in labour problems, who is also a member of the Council on Prices, Productivity and Incomes.

Perhaps the most contentious of the appointments are those of Lord Robens and Dr Beeching in their capacities as the heads of the two biggest of the nationalized industries, both of which are struggling towards financial solvency. Their inclusion probably hinges on the fact that these two industries employ well over a million workers in two of the largest and most important unions, whose co-operation with the Council's recommendations is greatly to be desired. Whether this is the best way of ensuring such co-operation is debatable, but it has almost certainly been the cause of Sir Ronald Gould's letter on behalf of seventeen 'white-collar' organizations unaffiliated to the T.U.C., pointing out that their particular interests are unrepresented on the Council.

The whole point is that the last situation to be desired is that the Council should be a meeting-place for sectional interests. Nevertheless, given its present size and the two appointments from the nationalized industries, Sir Ronald Gould's argument is difficult to resist.

Besides these appointments to the N.E.D.C., Sir Robert Shone, the Director-General, announced that he had appointed Sir Donald MacDougall, C.B.E., an Oxford economist, to be economic director, and Mr Frank Pickford, of the Ministry of Labour, to act as administrative secretary.

CAPITAL ALLOWANCES ON LEASED FACTORIES

CAPITAL allowances on industrial buildings are granted to the owner for the time being of the 'relevant interest', i.e. broadly speaking the interest which the person erecting the factory etc. had at the time of erection. If, for instance, the freeholder incurs the cost of erecting a factory and then sells the freehold, the title to the capital allowances passes to the buyer. What legislation has not provided for is the case where the owner of the 'relevant interest' grants a lease at a high premium which reflects the value of the industrial building. Such a person continues to have the 'relevant interest' and consequently the capital allowances, while the lessee who in essence has borne the cost of the building receives no allowance. We understand that the Chancellor of the Exchequer is being approached to introduce legislation to remedy this anomaly. It is suggested that wherever the owner of a 'relevant interest' grants a long lease (as defined for income tax) this shall be deemed for capital allowance purposes as a sale of the relevant interest, any premium to be treated as 'sale moneys'.

TAX AIDS TO THRIFT

REPEATED pleas for the abolition of transfer duty and the simplification of share transfers make it appear that transfer costs are the chief stumbling block in the way of a property-owning democracy with small investors holding stock exchange securities. In an article in the current *Westminster Bank Review*, Mr Basil Taylor throws a good deal of rather cold light on this idea and puts forward some rather more convincing ideas of his

own. He points out that the main obstacle to the small investor's participation in share-owning is not transfer costs but the raising of the purchase price itself. He gives some very impressive statistics to show that small investors are very much in the minority; most people are not even investors at all, large or small.

Mr Taylor argues that the tax structure favours, in relation to capital accumulation, persons assessed under Schedule D. They receive encouragement to acquire plant and machinery in that a good deal of the cost is met by the Chancellor of the Exchequer; they can take full advantage of the retirement benefit provisions. The ordinary employee receives no such tax encouragement. His enjoyment of retirement benefit tax relief is dependent on the goodwill of his employer; even a small pension scheme debars him from taking advantage of the 1956 Act.

With house purchase, the scales are weighted in favour of the mortagor who borrows from an insurance company; the premiums on the policy that repays the loan qualify for tax relief, whereas repayments to a building society do not.

Mr Taylor suggests that every taxpayer should have the right to save a certain percentage of his income tax-free, thus rationalizing the present irrational and haphazard system.

RESEARCH ON DECISION MAKING

ANOTHER article in this issue of the *Westminster Bank Review* deals with the question of research into decision-making in business. This is a subject which in the form of the theory of gains and the development of simulatrics has seen a certain amount of development in the United States. Now Mr C. F. Carter in his article 'An experiment on business research' describes the Centre for Business Research at Manchester. The Centre is part of the research section of the Faculty of Economic and Social Studies. For its first five to seven years it will be financed by a group of companies. At the moment these are fourteen in number.

The Centre is going to study some of the major decision problems of business and to build up, by an examination of real situations, knowledge of the information systems and the methods of decision appropriate in particular circumstances. It will concentrate on certain approved lines of research and will not try to solve problems over a wide range of industry nor will it compete with management consultants. The work of the Centre will be organized in 'project-groups' each of which will usually be led by a research worker whose status and industrial experience will allow him to make easy contact with managements. The sponsors of the scheme are gratified by the response they have had from industry and they look forward to the time when it will be possible when they will be able to offer a systematic analysis of how management training courses should be prepared.

COURTAULDS' COME-BACK

SINCE our leading article was prepared, Courtaulds' ripost to I.C.I.'s latest offer was announced on Wednesday afternoon. Its tone is again emphatic and uncompromising; a judicious mixture of increased dividends promised for 1961–62 and 1962–63, and a 2½ per cent tax-free cash distribution out of capital profits for each of the next three years. This goes along with a £40 million capital bonus in 7 per cent Unsecured Loan Stock 1982/87. It will be interesting to see how Courtaulds' shareholders react to the latest handout.

TAKE-OVER BIDS AND THE SHAREHOLDER

THE Stationery Office has published a private member's Bill which would prevent companies from making take-over bids unless authorized by a special resolution to do so. As the Jenkins Committee is still deliberating on similar suggestions made to it, it seems unlikely that this private members' Bill will meet with any support from the Government.

NATIONAL PRODUCTIVITY YEAR

THE idea of the British Productivity Council that a National Productivity Year be held from next November has received a warm welcome and more than one hundred major organizations have already signified their backing. H.R.H. The Duke of Edinburgh has consented to take an active part as patron.

The object of the National Productivity Year will be to focus attention on the means that lie within the capacity of management and workers to raise efficiency and lower costs. The Year will provide an opportunity for the methods which have enabled leading firms, large or small, to achieve success in this sphere to be given the widest possible currency as an encouragement to others. A major aim, of course, will be to foster a more favourable climate of opinion to better methods, and their appropriate use, in industry and the community.

The Year is envisaged as having two main aspects, distinct though by no means separate. One is the industry-by-industry aspect. In each industry or group of industries, it is hoped that all the bodies concerned – such as trade associations, employers' federations, trade unions – would, with whatever consultation and collaboration they consider appropriate, formulate plans to give effect to the Year and its aims in that industry or group.

The other aspect concerns the professional bodies (two of the Vice-Patrons of the Year are Mr P. F. Granger, F.C.A., President of The Institute of Chartered Accountants in England and Wales, and Mr F. M. W. Hird, F.C.A., F.C.W.A., President of The Institute of Cost and Works Accountants). It is expected that all the bodies concerned will, at the national level, discuss ways in which they can link

their individual programmes to the aims of the Year, and also arrange such co-ordination and collaboration as may be desirable. The main emphasis will be laid on activities at local level and directed towards firms and the general industrial community in every area. Local plans will be formulated by specially formed national productivity year local committees on which all appropriate participating bodies, including trade unions, educational establishments and chambers of commerce, will be represented.

The first step to form these area committees is being taken by the 116 local productivity committees and local productivity associations of the British Productivity Council.

Reports from the B.P.C.s eleven regional officers show that already the first steps have been taken, and that almost everywhere the area committees will have been formed by the end of this month.

The British Productivity Council has undertaken a number of the main administrative tasks in connection with the Year, and inquiries should be addressed either to the British Productivity Council, Vintry House, Queen Street Place, London EC4, or to any of the Council's regional officers.

This is My Life . . .

by An Industrious Accountant

CHAPTER III

I HAD a long talk with our chairman recently; he's getting on in years and is planning retirement soon. He wanted to talk about tax. It appears that his personal financial affairs have always been handled by an elderly contemporary of his, a local accountant who suddenly collapsed the other day with a stroke. I found myself confronted with a bulging file of old taxation assessments, schedules of investments and annual income, etc., and being asked, out of the blue, to comment.

Advice on tax and estate administration is a function which an accountant should welcome, he naturally being able to discharge it to his client's benefit and to his own enhanced credit; but it proved unexpectedly difficult. The aforesaid client seemed strangely vague about the technicalities which he should have known for years; I got bogged down early.

Our one-time private family company has vastly expanded since its beginnings, and the structure of shares and debentures is complex. Blocks of shares with various proportions of control are held by assorted groups of relations who have a background influence on policy much greater than is generally known. Subsidiary companies were hived off in the past for tax or personal reasons; the chairman has holdings in all of them; their disposal is important. His previous adviser had persuaded him to transfer large holdings into the names of junior relatives, to minimize the impact of death duties in due course, and there was an arrangement to hand back dividends. Now my good chairman wants to rescind these transfers and reorganize the allocation. . . .

I talk about forming a private company, Himself Ltd in effect, with himself as all-powerful sole director; this, I explain, has great benefits tax-wise and he can nominate his successor. He likes the idea, but has reservations. Deep down in his subconscious mind is the fear of losing control, of being superseded by the younger generation. He plays around with the thought and asks remarkable questions. Some of them I can't answer at short notice and he looks rather superior.

Then he gets round to the reclamation of tax deducted at source from his dividends from the family companies. He obviously has had his private suspicions about this procedure for a long time; I find it hard to convince him that in his capacities as shareholder and director he is not being taxed twice on the same revenue. I do some rapid diagrams showing dividend debited to appropriation account, tax debited to dividend account, tax credited to Revenue Commissioners, and so on, but we just go round in circles. 'Probably all right, if you say so,' he admits grudgingly, 'but it looks like a fiddle to me.'

Then we turn to the long-term financial forecast of our major subsidiary and I feel my hair growing grey. Bearing in mind the tax liability on dividends payable and the strengthening of the net asset position, I recommend so much to be put aside to dividend equalization, so much to gradual repayment of the substantial loan from the holding company. There will be an enhancement of the share values, of the equity . . . but the chairman gets hopelessly fogged. He listens warily and scribbles little sums in subtraction. He's conscious that additional death duties will accrue from the higher share valuations to be expected when the dividends increase, but is less sure about asset valuations when profits are retained. These, he indicates vaguely, can be . . . well, arranged, what?

At this stage I suddenly understand why he seems mistrustful. He has been taking the annual net profit figure as representing the sum available for repayment; he fails to comprehend that liquid cash is also available to the extent of the depreciation charge annually; the discrepancy has always worried him. Explanations clear his mind rapidly but he needs time for reappraisal. He withdraws with courteous thanks but without arriving at conclusions.

I hope the impression I made on him was better than the impression he made on me.

Finance and Commerce

Oxo Accounts

THIS week's reprint comes from the annual report and accounts of Liebig's Extract of Meat Co Ltd. The company is probably known better through some of its leading products such as 'Oxo', 'Fray Bentos' and 'Viandox'. The report includes a list of the companies comprising the group throughout the world together with details of the group's principal trademarks and products. This, of course, is what one expects these days; the annual publication should be entirely self-explanatory.

The report this year has been redesigned both in its general layout and in the presentation of the accounts. Additional information incorporated for the first time includes statistics covering the financial years 1955 to 1961. These are mainly in the form of balance sheet and profit summaries but two indices are worth noting: the expression of group profit before debenture, loan interest and taxation as a percentage of the funds employed in the group at the year-end, and the expression of the gross ordinary dividend as a percentage of total ordinary stockholders' funds. The profit percentage has come down from 17·7 to 10·5 in the seven years and the dividend percentage this time is 5·0 after two years at 6·1.

Revaluation

Mr K. R. M. Carlisle, Liebig's chairman, admits that although a year ago he expected profits to show some expansion, it became apparent as the year progressed that – with the exception of 'excellent results' in the United Kingdom – profits were not going to come up to expectations.

Substantial losses were incurred on production of canned meats and meat extract in Argentina and, to a lesser extent, in Paraguay; farming returns, however, were generally better; profits from the continent of Europe were 'much lower'; there was one good development in South America. Mr Carlisle says that advantage has been taken, as regards land and livestock, of recent Argentine legislation which gave favourable opportunities to revalue fixed assets and breeding livestock. Some of the *estancias* in Paraguay have also been revalued in accordance with similar legislation in that country.

The resultant increases in the balance sheet values of fixed and current assets, with corresponding increases in capital reserves, are reflected in the accounts. 'Movements of reserves' shows that group capital reserves have been raised by £1,297,067 by the revaluation of breeding livestock, a footnote explaining that the credit has been to capital reserves in conformity with requirements in Argentina. Land revaluation has produced a surplus of £552,321.

Rising Costs

Mr Carlisle has no doubts about the future for Liebig's in the Common Market. 'Our products have been on sale in the Common Market countries for the greater part of a century and with the passing years their variety has increased', he says, but there is scope for rationalization and standardization.

In Argentina and Paraguay, troubles are particularly concerned with inflation, he reports. 'Over the past three years, internal costs, including the cost of cattle, have risen enormously, but external exchange rates have been relatively stable and there has been no compensating increase in the currency proceeds of exports. On top of this, the industry has been taxed viciously in the form of retentions on the export sales of its produce and heavy surcharges on the import of plant and packing materials necessary for the conditioning of the products for export.' But the Governments concerned, he adds, are beginning to realize the seriousness of the situation and some easing has been instituted.

A feature of the balance sheets in these accounts is the single column for all figures – items and group totals – the latter, of course, being ruled off.

S. & W. Berisford

THERE is the feeling with the annual report of S. & W. Berisford Ltd that one has picked up a serial – after the first instalment – to which there is no synopsis. How much better it would have been to have included a short description of the company and its business and of how it acquired Joseph Travers & Sons Ltd in March 1959.

Berisford, of course, is one of the big names in the marketing of sugar. Sugar sales account for the greater part of its turnover. Travers, the centuries old grocers and commodity merchants of the City of London, has not, unfortunately, fulfilled earlier hopes. Some of its departments – sugar, canned goods, dried fruit, cereals and spices – have been absorbed by Berisford and the 'Mark Lane companies'; while the tea and coffee sections have been closed down and sold. The specialist departments of wines and spirits, and green fruit, with the overseas branches continue to trade as Travers.

Which leads to the 'big point' in the Berisford accounts this year: the separation and separate statement of the Travers's accounts. By so doing, the Berisford directors feel that the position will be more readily appreciated – a view which shareholders will undoubtedly welcome. One important event was the sale of the Travers's Cannon Street lease at a capital profit of £191,095, as a result of which Travers's net assets are up to £1,290,608 'which compares with the cost of the investment to S. & W. Berisford Ltd of £1,218,941. There is thus still a substantial surplus on the investment'.

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended 31st August 1961

	Notes		1961 £		1960 £
Group Trading Profit before Taxation	3		2,043,802		2,213,860
Add Taxation and other Provisions no longer required			15,229		64,820
			2,059,031		2,278,680
Deduct Exceptional Expenditure			—		90,426
Group Profit before Taxation			2,059,031		2,188,254
Deduct Taxation	4		1,148,000		1,085,000
Group Profit after Taxation			911,031		1,103,254
Deduct Profit attributable to Outside Shareholders of Subsidiaries			40,096		65,138
Consolidated Profit after Taxation			870,935		1,038,116
Deduct Retained in Subsidiaries	5		285,630		435,456
			585,305		602,660
Add Dividends receivable from Subsidiaries out of previous years' profits *less* £25,000 (£37,000) United Kingdom Taxation attributed thereto			19,530		35,605
Dealt with in Accounts of Parent Company			£604,835		£638,265
Appropriated thus:					
Net Dividends:					
Preference Dividends:		£		£	
On 5 per cent. Preference Stock		30,625		30,625	
On 4½ per cent. Preference Shares		27,562		27,562	
			58,187		58,187
Ordinary Dividend:					
Interim Dividend of 4 per cent., paid 1st July 1961		110,250		110,250	
Proposed Final Dividend of 11 per cent.		303,188		303,188	
			413,438		413,438
			471,625		471,625
Transfers to Reserves:					
Capital Reserve	5	13,000		20,000	
General Reserve	5	100,000		100,000	
			113,000		120,000
Retained in Profit and Loss Account	5		20,210		46,640
			£604,835		£638,265

The Notes on pages [190–1] are to be read as part of these Accounts.

On behalf of the Board K. R. M. CARLISLE, J. V. COOPER | *Directors*

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet as at 31st August 1961

	Notes	1961 £	1960 £
FUNDS			
Issued Ordinary Capital of Parent Company	6	4,500,000	4,500,000
Capital Reserves	5	3,905,513	1,728,007
Revenue Reserves and Undistributed Profits	5	5,221,305	4,859,785
TOTAL ORDINARY STOCKHOLDERS' FUNDS		13,626,818	11,087,792
Issued Preference Capital of Parent Company	6	2,000,000	2,000,000
Debentures and Long-term Bank Loan	7	4,200,445	3,898,539
Amounts set aside for Future Income Tax	4	1,163,000	798,000
Outside Shareholders		681,410	680,974
		£21,671,673	£18,465,305
EMPLOYMENT OF FUNDS			
CURRENT ASSETS			
Livestock, Produce, Stores and Materials	8	16,173,780	13,210,878
Trade Debtors, *less* Provisions, and Prepayments		4,223,462	3,565,091
Bank Balances and Cash in Hand		604,884	1,116,786
		21,002,126	17,892,755
Deduct.			
CURRENT LIABILITIES AND PROVISIONS			
Bank Loans, Overdrafts and Acceptances		3,003,279	1,693,631
Debenture Interest (secured)—Net		49,127	58,739
Trade Creditors and Accrued Charges		2,330,202	2,361,323
Current United Kingdom Taxation	4	823,000	1,053,000
Overseas Taxation		264,000	323,000
Provisions	9	954,992	933,563
Parent Company Dividends		322,838	322,838
		7,747,438	6,746,094
Net Current Assets		13,254,688	11,146,661
Fixed Assets	10	9,250,259	7,743,557
Trade Investments, at cost, *less* Provisions		17,338	13,934
Other Investments, quoted on foreign stock exchanges and deposited abroad (Market Value £631,077: 1960 £445,670)		44,507	24,217
		22,566,792	18,928,369

	1961 £	1960 £		
Deduct **Provision against Non-Sterling Assets**	500,000	500,000		
Amounts in Suspense, arising from consolidation of balance sheets made up at different dates	395,119	*Dr.* 36,936	895,119	463,064
			£21,671,673	£18,465,305

The Notes on pages [190–1] are to be read as part of these Accounts.

On behalf of the Board K. R. M. CARLISLE, J. V. COOPER | *Directors*

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED AND SUBSIDIARIES

Notes on the Accounts

1 CONSOLIDATION OF ACCOUNTS

The Consolidated Accounts incorporate the Profits and Losses, and the Assets and Liabilities, of the Parent Company and thirty-five Subsidiaries. Seven Subsidiaries make up their Accounts to 31st December, and one Subsidiary to 31st May, in each year, these being considered the most suitable dates owing to the seasonal nature of their operations. One Continental European Subsidiary makes up its Accounts to 30th June for fiscal reasons. The Accounts of those Subsidiaries, the financial years of which do not coincide with that of the Parent Company, have been incorporated as at the last closing date prededing 31st August 1961.

2 EXCHANGE

Conversions to Sterling have been made on the following bases:—

A. Fixed Assets:
  (i) On the Continent of Europe:
    (*a*) balances brought forward from Consolidated Balance Sheet as at 31st August 1960: at the Sterling values adopted at that date.
    (*b*) subsequent acquisitions: at the rates of exchange ruling at the dates of acquisition.
  (There is a change in basis as compared with previous years, when Fixed Assets on the Continent of Europe were converted at the rates of exchange ruling at the relevant Balance Sheet dates).
  (ii) Other than on the Continent of Europe: at the rates of exchange ruling at the dates of acquisition or, where revalued, at the dates of such revaluations.

B. Current Assets and Liabilities and Long-term Liabilities: at the rates of exchange ruling at the relevant Balance Sheet dates.

3 GROUP TRADING PROFIT BEFORE TAXATION

	1961 £	1960 £
	£2,043,802	£2,213,860
This figure has been arrived at after crediting:		
Dividends Received (gross):		
From Trade Investments	96	102
From Other Investments	5,309	7,625
	£5,405	£7,727
and after charging:		
Depreciation and Amortisation of Fixed Assets	731,613	617,445
Interest on Debentures and Long-term Bank Loan	212,853	120,198
Remuneration of Directors of Parent Company:		
Fees	11,392	10,144
Other Emoluments	29,331	27,522
Pension of a past Director	5,000	5,000
Provisions	253,509	201,262
Exchange Losses *less* Profits	10,648	31,671
Auditors' Remuneration and Expenses	23,607	22,602
	£1,277,953	£1,035,844

4 TAXATION

(a) The provision for Taxation in the Consolidated Profit and Loss Account, £1,148,000, consists of:		
United Kingdom Profits Tax	231,000	189,000
United Kingdom Income Tax (including £19,500 transferred to amount deferred by Initial Allowances)	770,000	695,000
	1,001,000	884,000
Overseas Taxation	147,000	201,000
	£1,148,000	£1,085,000

(b) The provision for United Kingdom Taxation included in the Consolidated Profit and Loss Account, amounting to £1,001,000 as shown in Note 4 (a), includes the estimated amounts of Profits Tax and Income Tax arising on the profits of the Group for the year ended 31st August 1961 and is after deducting £70,000 Double Taxation Relief in respect of Dividends brought into the Accounts of the Parent Company for the year ended 31st August 1960. No credit has been taken for any Double Taxation Relief which will arise on Dividends brought into the Accounts of the Parent Company for the current year. In the case of Subsidiaries resident abroad, and of Subsidiaries which are qualified as Overseas Trade Corporations, United Kingdom Taxation has been provided only on so much of their profits as has been distributed by way of dividend.

(c) Provision has been made in the Balance Sheet of the Parent Company and in the Consolidated Balance Sheet for the estimated liabilities to United Kingdom Taxation assessable by reference to profits earned or losses incurred up to the dates to which the relative Accounts have been made up and includes estimated liabilities still outstanding in respect of previous years.

The amounts set aside for Future Income Tax include taxation deferred by Initial Allowances, namely in the Balance Sheet of the Parent Company £63,000 (1960 £43,500) and in the Consolidated Balance Sheet £123,000 (1960 £103,500).

5 MOVEMENTS OF RESERVES ARE AS FOLLOWS:

	PARENT COMPANY			GROUP		
	Capital Reserves £	Revenue (General) Reserve £	Profit & Loss Account £	Capital Reserves £	Revenue Reserves £	Profit & Loss Account £
Balances brought forward after charging Net unrealised Exchange Losses	271,263	1,441,735	308,626	1,728,007	4,039,149	820,636
Dividends payable to the Parent Company out of previous years' profits						Dr. 44,530
Profits less Losses retained: Parent Company	13,000	100,000	20,210	13,000	100,000	20,210
Subsidiaries (per Consolidated Profit and Loss Account £285,630)				25,036	307,019	Dr. 46,425
Surplus on Revaluation: Breeding Livestock	4,599*			1,297,067*	44,170	
Land	112,328			552,321		
Other Fixed Assets				65,659		
Net Profits arising from realisation of Fixed Assets				123,162		
Capital Expenditure Grants from Government of Eire				25,000		
Net Profit on Sale of Investments				17,678		
Provisions released, transfers and other adjustments arising on consolidation				69,681	Dr. 69,789	50,865
				3,916,611		
Deduct Further provision for Net unrealised Exchange Losses on consolidation as at 31st August 1961, bringing total provision to £798,098				11,098		
		£1,541,735	£328,836		£4,420,549	£800,756
Per Balance Sheets	£401,190	£1,870,571		£3,905,513	£5,221,305	

*These amounts have been credited to Capital Reserves in conformity with requirements in Argentina.

6 CAPITAL—AUTHORISED, ISSUED AND FULLY PAID

	1961 £	1960 £
Ordinary Stock	£4,500,000	£4,500,000
Preference:		
5 per cent. Cumulative Preference Stock	1,000,000	1,000,000
4½ per cent. Cumulative Redeemable Second Preference Shares of £1 each (Redeemable from 1st January 1965 to 31st December 1974 at a premium of 1s. per share, or after 31st December 1974 at par)	1,000,000	1,000,000
	£2,000,000	£2,000,000

7 DEBENTURES AND LONG-TERM BANK LOAN

	PARENT COMPANY 1961 £	PARENT COMPANY 1960 £	GROUP 1961 £	GROUP 1960 £
4 per cent. Debenture Stock 1975/80	500,000	500,000	500,000	500,000
5¾ per cent. Debenture Stock 1980/85 (The above two Debenture Stocks are secured *pari passu* by a first floating charge on the whole of the undertaking and all the property and assets of the Company.)	3,000,000	3,000,000	3,000,000	3,000,000
Long-term Bank Loan (secured) of a Continental European Subsidiary	—	—	571,093	250,607
Debentures (unsecured) issued by Continental European Subsidiaries	—	—	129,352	147,932
	£3,500,000	£3,500,000	£4,200,445	£3,898,539

LIEBIG'S EXTRACT OF MEAT COMPANY LIMITED AND SUBSIDIARIES

Notes on the Accounts—(continued)

8 VALUATIONS OF LIVESTOCK, PRODUCE, STORES AND MATERIALS

The bases on which stocks throughout the Group have been valued are substantially as follows:

(a) Breeding and own-bred livestock in Argentina have been valued in conformity with recent legislation in that country: elsewhere, valuation has been at standard rates. Bought store cattle have been valued at cost.
(b) Finished and unfinished products have been valued at the lowest of cost, net realisable value and replacement price.
(c) Stores and materials have been valued at the lower of cost and replacement price.
(d) Suitable allowance has been made for old, deteriorated and surplus items.

9 PROVISIONS

	PARENT COMPANY 1961	PARENT COMPANY 1960	GROUP 1961	GROUP 1960
Provisions include Employees' Provident Accounts	£147,327	£147,327	£185,165	£195,191

10 FIXED ASSETS

PARENT COMPANY

	1961 £	1961 £	1960 £
Ranches and Agricultural Lands:			
At Cost	367,648		353,496
Deduct Cost of land revalued during the year (see below)	284,593		—
		83,055	353,496
At Valuation (revalued during the year):			
Original Cost (see above)	284,593		
Surplus on Revaluation	112,328		
		396,921	
Leasehold Properties:			
At Cost	197,113		178,831
Less Amortisation to date	55,224		51,302
		141,889	127,529
Factories (including sites), Other Buildings, Plant, Machinery, Fleet and Expenditure on Land improvement:			
At Cost	2,776,130		2,256,592
Less Depreciation and amounts written off	1,445,047		1,251,124
		1,331,083	1,005,468
		£1,952,948	£1,486,493

GROUP

		£	£	£
Ranches and Agricultural Lands:				
At Cost		923,419		916,755
Deduct Cost of land revalued during the year (see below)		676,561		—
			246,858	916,755
At Valuation:				
Balance as at 31st August 1960		363,364		363,364
Revalued during the year:	£			
Original Cost (see above)	676,561			
Surplus on Revaluation	552,706			
		1,229,267		—
			1,592,631	363,364
			1,839,489	1,280,119
Leasehold Properties:				
At Cost		1,052,021		981,143
Less Amortisation to date		299,260		267,213
			752,761	713,930
Land not included above, Factories and other Buildings, Plant, Machinery, Fleet, Motor Transport, Expenditure on Land and other Improvements, Agricultural Implements, Plantations etc.:				
At Cost or Cost *less* Sales	10,790,990			9,420,496
Deduct Cost of Assets revalued during the year	399,281			—
		10,391,709		9,420,496
At Valuation:				
Balance as at 31st August 1960, *less* sales during the year	862,856			882,162
Revalued during the year:				
Net book amount of assets revalued £252,937				
Deficit (net) on Revaluation 7,574				
	245,363			—
		1,108,219		882,162
		11,499,928		10,302,658
Less Depreciation, after eliminating £73,222 attributable to assets revalued		4,841,919		4,553,150
			6,658,009	5,749,508
			£9,250,259	£7,743,557

11 INVESTMENTS IN SUBSIDIARIES

	1961 £	1960 £
Shares at cost *less* provisions	7,035,741	6,873,849
Amounts advanced to Subsidiaries, *less* Provision	333,262	578,953
	7,369,003	7,452,802
Deduct: Amounts owing to Subsidiaries, not immediately payable	1,034,349	1,047,356
	£6,334,654	£6,405,446

12 STAFF PENSION FUND

An actuarial valuation of a Staff Pension Fund as at 31st December 1958 disclosed a deficiency which is guaranteed by the Parent Company and two of its Subsidiaries. The companies concerned are making a series of special annual contributions of £27,600 which it is proposed to continue until such time as this deficiency is made good. As stated in Note 9 there is a balance of £147,327 standing to the credit of Employees' Provident Account in the books of the Parent Company, which provision is also regarded as being available towards a deficiency of this kind.

13 TRANSFER OF FUNDS AND MOVEMENT OF STOCKS

The transfer of funds and movement of stocks within the Group, and elsewhere, are subject to prevailing controls.

14 CAPITAL EXPENDITURE

	PARENT COMPANY 1961 £	PARENT COMPANY 1960 £	GROUP 1961 £	GROUP 1960 £
Contracts outstanding as at the respective Balance Sheet dates for which no provision has been made in these Accounts	85,000	238,000	514,000	691,000

15 CONTINGENT LIABILITIES

	PARENT COMPANY £	GROUP £
(a) Bank Guarantees:		
Guarantees of advances to Subsidiaries and to an Associated Company:		
Maximum amount	1,543,000	40,000
Outstanding at 31st August 1961	1,036,000	39,000
Other Guarantees	—	23,000
(b) Uncalled Capital:		
On Shares in a Subsidiary	20,500	—
On Trade Investments	90,000	98,000
(c) Bills discounted at 31st August 1961:		
Drawn by a Subsidiary	900,000	—
Other Bills	—	228,000
(d) Contested tax liabilities overseas	—	83,000

CITY NOTES

BANK rate and industrial profits – the problem of whether the first should be reduced and the evidence that the second are under increasing pressure – have been the City's concern for some time. The regularity with which the discount market has been forced 'into the bank' has emphasized to the discerning onlooker that Bank rate reduction, although freely forecast, is unlikely.

On a wider plane, the Government's intention to push the 'pay pause' policy through to the end of March and the prospect that the surplus budgeted for last April will in fact turn out to be a deficit, are two further points arguing against Bank rate reduction. Another factor is that, to an extent, capital goods export finance has been taken outside the Bank rate sphere.

On industrial earnings, the stock-market is noting with some apprehension that pressure on earnings is being shown by companies whose shares have for long been standing on a low yield growth basis. That particularly applies to store shares where the market, at first affected by the slowing down in Woolworth's profit growth rate, has this week learned of an actual and sizeable reduction in earnings by British Home Stores.

Part of the recent improvement in the gilt-edged market reflected a movement out of low yielding equities where growth prospects are not as rosy as low share yields popularly suggest them to be.

RATES AND PRICES

Closing prices, Wednesday, February 14th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Dec. 8	£5 6*s* 5·34*d*%	Jan. 12	£5 8*s* 6·03*d*%
Dec. 15	£5 6*s* 4·83*d*%	Jan. 19	£5 6*s* 2·35*d*%
Dec. 22	£5 7*s* 3·18*d*%	Jan. 26	£5 4*s* 10·06*d*%
Dec. 29	£5 8*s* 0·72*d*%	Feb. 2	£5 4*s* 4·93*d*%
Jan. 5	£5 8*s* 7·81*d*%	Feb. 9	£5 8*s* 0·74*d*%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5⅝–5 11/16%
Fine Trade Bills		3 months	5⅝–5 11/16%
3 months	6¾–7½%	4 months	5⅝–5 11/16%
4 months	6¾–7½%	6 months	5⅝–5¾%
6 months	7–8%		

Foreign Exchanges

New York	2·81½–⅝	Frankfurt	11·25¼–¾
Montreal	2·95½–⅝	Milan	1748–¼
Amsterdam	10·19–½	Oslo	20·04¾–·05
Brussels	140·14¼–¾	Paris	13·79¼–¾
Copenhagen	19·37¼–¾	Zürich	12·17¼–¾

Gilt-edged

Consols 4%	61½	Funding 3% 59–69	83½
Consols 2½%	40⅛	Savings 3% 60–70	79¼xd
Conversion 5¼% 1974	92⅜	Savings 3% 65–75	71⅛xd
Conversion 5% 1971	91¼	Savings 2½% 64–67	86 5/16
Conversion 3½% 1969	85⅛	Treasury 5½% 2008–12	87
Conversion 3½%	55⅜	Treasury 5% 86–89	84 15/16
Exchequer 5½% 1966	98½	Treasury 3½% 77–80	71⅛
Funding 5½% 82–84	90⅝	Treasury 3½% 79–81	69⅞
Funding 4% 60–90	89⅜	Treasury 2½%	40⅛
Funding 3½% 99–04	60	Victory 4%	92⅜xd
Funding 3% 66–68	84¼	War Loan 3½%	55⅛

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.
Letters must be authenticated by the name and address of the writer, not necessarily for publication.

The Training of Accountants

SIR, – You have performed a service to the profession by reproducing the article 'Outdated articles' in your issue of February 10th. The fact must be faced that much of what was written is undoubtedly true, and to keep abreast of a rapidly changing world, the Institute, too, must consider radical changes or the profession in Britain will lose much of its prestige.

While agreeing that a certain period of articles is essential, this need not exceed three years, and higher educational standards for entrants will also be vital if the Institute is to retain any prominence among the professions.

The main point of my letter, however, and one which is touched upon in the article, concerns remuneration. As the author states, chartered accountants' clients are being subsidized by the parents of articled clerks, in fact, they always have been. This argument may be widened to include almost everyone employed in the profession, as well as many principals, particularly the smaller practitioners. They themselves, not their parents, are also subsidizing their clients.

Profit margins are at present far too narrow, although the writer of the article obviously doubts this. The Council should certainly recommend a minimum rate of pay for articled clerks competitive with industry, and this should be tied up with recommendations of scale fees and remuneration for all levels of staff employed in the profession.

Accountancy is becoming less and less attractive to intelligent young people, the main reason being not that they have to serve articles, but that the financial rewards are just not good enough. The 'articled clerk salary scale' mentality is carried on right through the profession after qualification and beyond, and as a result we are now being 'found out' and potential chartered accountants are, in fact, going into other professions with better prospects.

Yours faithfully,

Derby. K. C. SAUNDERS.

SIR, – I have read with interest Mr K. S. Most's letter on the education and training of accountants in your issue of January 27th.

Mr Most cites various instances where American accountants have been consulted or American accounting practices have been adopted rather than British. He then suggests that these examples are 'the results of our apathy' and the failure of the Institute to make vigorous reform in the system of education for the profession. Whilst I have no doubt that the present system could be improved, I suggest that there is no direct connection between this system and the cases mentioned by Mr Most.

As American capital spreads around the world and as American industrial and political influence increases, I think the American accounting profession is bound to become more prominent and influential. This should not, I feel, be automatically attributed to the American system of education.

On the question of university courses in accounting, the C.P.A. boards of most States in the U.S.A. require a candidate to have a college degree followed by three years of practical experience. This procedure has many advantages, but after having worked with accountants of various nationalities in Europe, America and elsewhere, I have yet to find any evidence that the American method of training necessarily produces better accountants.

Yours faithfully,

H. JAMES COX, F.C.A., A.C.W.A.

Nassau, Bahamas.

SIR, – May I, as a university graduate who has just passed the Final examination of the Institute, add my comments to the article reproduced from *Technology* in your issue of February 10th?

1. Far from being 'a necessary evil', I found my correspondence course, from a leading specialist in this field, well-planned, well-presented and easy to understand, which is far more than can be said of some lectures given by university staff.

2. My principal, certainly, does his best to ensure that an articled clerk is given practical work and advice which supplements the theoretical stage of studies.

3. I would submit that the articled pupilage system is the only practical method of training an accountant in the fundamental skills of auditing, accountancy and taxation.

4. The great failure of the system, particularly when applied to the small practice, arises when the newer skills of costing, management accountancy and mechanized systems are considered. Clearly the new syllabus for the Final examination, with one paper devoted wholly to these subjects, as recommended by the Parker Committee, recognizes this, but any system which requires a student to submit himself to an examination on an essentially practical subject, without practical experience, must be doomed to failure.

I submit that any change in the present system should be designed to fill this dangerous gap in a young accountant's education. Provisions already exist for training clerks outside the profession to a limited extent, and I feel that this is the avenue which should be explored.

Yours faithfully,

Worcester. K. J. HAMILTON.

Stock Valuation

SIR, – May I suggest that auditors should seriously consider the recommendation to their clients of a note on their published balance sheets, covering the basis of valuation of stock and work in progress and any material change in that valuation from one year to another.

The consolidated balance sheet of Turner & Newall Ltd has a note which is as follows:

> 'These have been valued at the lower of cost (including, in the case of stock-in-trade, an appropriate proportion of production overheads) and net realizable value on a basis consistent with that adopted in previous years, after deducting provisions for unearned inter-company profit and possible obsolescence.'

Yours faithfully,

London W6. N. F. SHEARMAN, A.A.C.C.A.

Company Reports

SIR, – The appearance of the recent article, 'On compiling company reports', in your issue of February 3rd, suggests that readers will be interested to hear from an industrial publisher what processes of thought have accompanied many of those developments in the presentation of annual reports to which the article alludes.

For the very reasons that make him a publisher, this 'outsider with the outside view' sees a potential usefulness in annual reports that very often escapes those who must perforce publish them. He sees in this annual authoritative document from a board of directors an opportunity for a company to communicate information beyond what the law ordains, and to communicate it to readers beyond, as well as within, the ranks of the shareholders: he sees the annual report as an opportunity for the kind of communication upon which the health of an industrial democracy increasingly depends.

For this reason the industrial publisher's eye is fixed not only on the shareholders, but on those other readers whose interest in, knowledge of, or concern for a company can be expected to advantage the company *and* our society. He steels himself (or should) to resist the blandishments of the company that appears anxious to spend a great deal of money on a pointless pursuit of the will-o'-the-wisp of glossy 'prestige' (surely a meaningless word?), and directs his client's attention to the interest that awaits sober *information*, among customers, suppliers, dealers – and employees; among financial editors, stockbrokers, investment analysts, the City press, and the company's trade and local press.

The great increase in stockholding in all sections of the community in recent years should alone affect the presentation of reports; but there is more to it

than that. The annual report, if it is planned to communicate information about a company's plans and prospects, its policies and products, its past, its present, and its particular view of its duties, responsibilities, rights and performances, can constitute an act of leadership in a society whose health depends utterly upon a wide dissemination of the raw material of debate and opinion.

The annual report is neither a tiresome annual chore at one extreme, nor an excuse for a public relations beano at the other. It is part of the free press of a free society.

Yours faithfully,

London W1. RICHARD BLYTHE.

The Silver Mirror

SIR, – Your 'Industrious Accountant's' reference in his Chapter 107 on January 20th to this story by Sir Arthur Conan Doyle is of great interest to the members of our profession who also belong to the Sherlock Holmes Society of London and kindred bodies.

As Doctor Watson tells us in *The Greek Interpreter*, Mr Sherlock Holmes' brilliant but unambitious brother, Mycroft, had 'an extraordinary faculty for figures, and audited the books of some of the Government departments'. Since Conan Doyle edited Watson's work there may be some link here calling for research.

It would be a kind act if your 'Industrious Accountant' would tell us by whom the story was published and in what magazine, if he can remember. Is it possible to get on the track of a copy?

Yours faithfully,

RONALD SHERBROOKE-WALKER.

London NW8.

[Conan Doyle's short story 'The Silver Mirror', originally included in *Tales of Long Ago* which is out of print, is now to be found in *Conan Doyle Stories*, published by John Murray (Publishers) Ltd, London, price 20s. – Editor.]

PROJECTING THE ACCOUNTANT'S 'IMAGE'

Chartered Accountants' Dinner at Bournemouth

A total of 150 members and guests attended a dinner of the South Eastern Society of Chartered Accountants held at the Carlton Hotel, Bournemouth, on February 9th, and were received by the President of the Society, Mr Arthur S. Watson, F.C.A., together with Mr P. F. Granger, F.C.A., President of The Institute of Chartered Accountants in England and Wales.

Mr A. John Jenkins, a Southampton barrister, proposed the toast of 'The Institute of Chartered Accountants in England and Wales and the Accountancy Profession', and after a number of amusing stories about his native Wales, he was serious for a few minutes for a complimentary remark about the accountancy profession.

The average man's picture of the chartered accountant in this country, he said, was of someone pleading his cause with the inspector of taxes. 'He looks upon you as being a link between himself and the Inland Revenue. An important and difficult task made doubly difficult because of the wrong attitude so many people have to their financial responsibilities towards the State.'

This theme was developed by Mr Granger who responded to the toast. 'One of the things we are up against is publicity,' he declared. 'We are modest violets as chartered accountants and we do not like throwing our weight about in the newspapers.'

When it comes to projecting the accountant's image, the difficulty is, said Mr Granger, that a man who qualifies as a member of the Institute does not necessarily stay in practice. There were members abroad and members in industry.

'It makes it very difficult when talking about "images" to get over something applicable to all sections of our membership. So when you hear people saying how well they do in tax matters, it is not very easy for us to stick up a notice on the counter saying: "We do tax matters better."'

Mr Granger went on to say that the Institute frequently had talks with, and made representations to, the Inland Revenue authorities on tax matters, and arising out of one or two recent meetings it had become apparent that the Revenue were troubled about the increasing number of cases of assessments under appeal. Probably the main cause of this was delay in the submission of accounts.

In so far as a remedy lies in members' hands, he urged those in practice to take all steps they could to see that accounts were prepared or audited and sent in as soon as possible. He was aware of staff difficulties and other problems but if they were in practice they should see that their clients' affairs were dealt with as expeditiously as possible.

Membership of the Institute, he continued, was now approaching 35,000 and a lot of help was required from the district societies.

Mr Granger said he would like to acknowledge the work of the district societies in respect of the Institute's small practitioner inquiry. To Mr Watson he said: 'Your society has sent in some very good work. We at Moorgate Place cannot do this job without the help of the district societies.'

In conclusion, he added: 'Today I talked to a lot of your articled clerks. They were young men and young women who were coming along well. I liked the sort of questions they asked and what they talked about.'

Mr Watson, in proposing the toast of 'The Guests', welcomed particularly the presidents and chairmen of other societies and professional bodies. The reply was made by Judge A. H. Armstrong, in a characteristically witty speech.

Electronics in the Office

Air Ministry to save £25,000 a Year

SIR MAURICE DEAN, K.C.B., K.C.M.G., Permanent Under-Secretary of State for Air, recently set in motion an Emidec 1100 computer at the Central Civilian Pay and Records Office, Cheadle Hulme, Cheshire. In the course of the next eighteen months the computer will progressively take over the pay accounting and records of the Air Ministry's 70,000 civilian employees in the United Kingdom which are at present maintained at various regional centres at individual Royal Air Force units and Air Ministry Headquarters.

The planning staff for the system was set up in London in 1957 and an order was placed for the computer in June 1959 (*The Accountant*, November 28th, 1959). The nucleus staff of the C.C.P.R.O. moved to Cheadle Hulme in August 1960 to prepare programmes and systems and the computer was delivered in April 1961. Since then many programmes for the computer have been completed and tested and the clerical staff recruited and trained. The capital cost of the whole system is estimated at £328,000 and, spread over the next ten years, is expected to show a saving of about £25,000 a year, in addition to increased efficiency arising from specialization. At present, the centre has about 130 employees and the eventual total will be about 180. By the time it is fully operational, just over 300 employees at the existing pay offices throughout the country will be released for employment elsewhere within the Air Ministry.

The computer system is not merely designed to produce a payroll. It is able to interpret the effect on individuals of complicated staff regulations covering some hundreds of different grades. The system contains a number of unique features in the field of personnel management. For example, sick leave entitlement, a complicated subject which has hitherto required considerable attention from specialized management staff, will be controlled automatically.

The computer uses magnetic tape for storing historical data which can be held outside the computer available for use as and when required. One application of this feature is to maintain master records of service for all Air Ministry employees for use by central and local management.

Data Processing System for Jaguars

AN IBM 1401 data processing system was recently delivered to Jaguar Cars Ltd, Coventry, to take over payroll for 7,000 weekly paid employees and the initial steps of an overall production control programme. It will be operational early in March and the complete change-over from the present data processing system is scheduled for the end of June.

The 1401 will break down the three-monthly car production schedule into weekly requirements of all components and relate them to stock in hand and work in progress to determine the date when replacement orders are required to maintain continuity of production. Future plans envisage an extension of the weekly material control report, automatically calculating and printing a schedule of orders to the factory for the production of components, together with the necessary documentation for initiating and progressing the order through to completion.

Further applications will include labour costing, purchase analysis and non-productive material control, with the eventual aim of providing a complete system of production control with a greater degree of management information than has hitherto been possible.

New Development in Audience Research

THE British Broadcasting Corporation is to install in the next six months a National-Elliott 803 computer. One of the machine's main tasks will be to produce day-to-day audience figures for B.B.C. sound and television programmes. It will also assist the engineering departments by performing mathematical calculations.

For some time most of the Corporation's routine audience research figures have been analysed at the National Cash Register Company's Commercial Computing Centre in Marylebone Road, London, where information received from panels and interviewers all over Britain is punched into paper tape and fed daily to a computer, which produces printed records for consideration by programme heads, producers and other executives.

The 803 is an exceptionally compact computer and is equipped with electronic memory units in which large quantities of information are stored on reels of magnetic film. This feature will enable the B.B.C. to accumulate statistics on different programmes and to provide any special types of analysis which may be required in addition to the day-to-day work.

Stockbroking by Computer

A LEADING firm of stockbrokers has ordered a National-Elliott 803 magnetic file computer and is believed to be the first United Kingdom stockbroking firm to do so.

Due to be installed this summer, the computer will take over a wide range of clerical tasks, including the preparation of contract notes, clearing returns, jobbers' ledgers, ticket accounts and transfers, foreign currency ledgers, dividend accounts and other internal accounts, as well as clients' records and valuations.

The object of the new venture is to develop a fully automatic system in which all documents and statistical reports are produced from a single recording of transaction data. Programmes for the computer are now being written by members of the firm's staff, who have been trained by The National Cash Register Co. Information will be fed to the computer in the form of punched paper tape. Ledgers and other records will be kept on reels of magnetic film and automatically up-dated as transactions take place.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, February 7th, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President, in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. F. Allan, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, L. Steele, J. E. Talbot, A. H. Walton, V. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Denmark
Föreningen af Statsautoriserede Revisorer

The Council received a report from the President on his attendance at the Fiftieth Anniversary celebrations of the Föreningen af Statsautoriserede Revisorer at Copenhagen on January 12th, 1962, during which the congratulations and good wishes of the Council were conveyed to the Föreningen af Statsautoriserede Revisorer.

Summer Courses – Emmanuel and Sidney Sussex Colleges, Cambridge, July 18th to 22nd, 1962, and Christ Church and Pembroke College, Oxford, September 13th to 18th, 1962

The Council authorized the distribution to all members of the Institute of a notice giving preliminary details of the summer courses to be held at Emmanuel and Sidney Sussex Colleges, Cambridge, July 18th to 22nd, 1962, and Christ Church and Pembroke College, Oxford, September 13th to 18th, 1962. The notice will be accompanied by an application form.

The subjects and speakers at the Cambridge course will be:

'Taxation aspects of amalgamations and reconstructions,' by Mr D. O. Bailey, F.C.A.

'Service to management,' by Mr R. D. S. Shrimpton, F.C.A.

'Insurance and the accountant,' by Mr D. Williamson, F.C.A.

The subjects and speakers at the Oxford course will be:

'The training of accountants for industrial responsibility,' by Mr G. W. Searle, D.F.C., F.C.A.

'The problems of the smaller practice,' by Mr R. W. Smith, O.B.E., T.D., F.C.A.

'Investment in stocks and shares,' by Mr A. G. Touche, F.C.A.

Examination Results – November 1961

The results of the Institute examinations held in November 1961, were as follows:

	Passed	*Failed*	*Total*
Preliminary ..	57	161	218
Intermediate ..	939	1,152	2,091
Final	813	883	1,696
	1,809	2,196	4,005

[The names of the successful candidates and the recipients of prizes and certificates of merit are reproduced on other pages of this issue].

The results of the November 1961 examinations, conducted by the Institute as examinations of The Society of Incorporated Accountants were as follows:

	Passed	*Failed*	*Total*	*Completing Final*
Final:				
Parts I and II together ..	1	1	2	1
Part I only ..	–	1	1	–
Part II only ..	35	30	65	35

No honours certificates were awarded. [The names of successful candidates are shown on page 216 of this issue.]

The November 1961 examinations were the last occasion for the holding of the Final examination of the Society.

The Charles M. Strachan Prize

The Council has expressed its thanks to Mr Charles M. Strachan, O.B.E., F.C.A., a member of the Council from 1949 to 1961, for his generosity in giving £900 Hull Corporation 3½ per cent stock to provide for a new prize at the Final examination. This award commenced with the November 1961 Final examination and is awarded to the candidate (other than a candidate taking any other prize) who obtains the highest number of marks in the examination.

Final Examination
English Law (Part II) Paper

The present syllabus for the above paper is outlined in the booklet *General Information and Syllabus of Examinations* as follows:

English Law (Part II), including the law relating to:

(*a*) Contracts generally;

(*b*) Sale of goods, negotiable instruments, hire-purchase, bills of sale and arbitration;

(*c*) Bankruptcy;

(*d*) Trusts, as contained in the Trustee Act, 1925.

With effect from the November 1962 Final examination the detail under head (*d*) above will be as follows;

(*d*) Trusts, as contained in the Trustee Act, 1925, and the Trustee Investments Act, 1961.

Taxation and Research Committee

The Council appointed Mr Roland Walter Foad, F.C.A., to membership of the Taxation and Research Committee to fill the vacancy caused by the resignation of Mr Reginald Oscar Arnold Keel, F.C.A.

Registration of Articles

The Secretary reported the registration of 197 articles of clerkship during January 1962.

The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31st, 1961, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available by the end of February 1962.)

Festival of the City of London – July 1962

In response to an invitation from the Lord Mayor of London the Council has nominated the President of the year to represent the Institute on the Council of the Festival of the City of London. A donation of 200 guineas is being made from the Chartered Accountants' General Charitable Trust.

Admissions to Membership

The following were admitted to membership of the Institute:

Deller, Brian William, A.C.A., *a*1962; 60 Portmore Park Road, Weybridge, Surrey.

Dixon, Anthony William, A.C.A., *a*1962; 80 Moor Drive, Great Crosby, Liverpool 23.

§Hooper, William James Ernest, A.S.A.A., *a*1962; 32 Louis Botha Drive, Florida Park, Florida, Transvaal, South Africa.

Fellowship

The Council acceded to applications from nineteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Appleton, Anthony Frederic, A.C.A., *a*1958; 48 High Street, Godalming, Surrey.

Arram, Michael, A.C.A., *a*1961; Michael Arram & Co, 172 New Road, Chingford, London E4.

Ashby, John Durham Jocelyn, F.C.A., *a*1950; Haskew, Twist & Co, 3 Cherry Street, Birmingham 2.

Askham, Francis Guy Lewis, A.C.A., *a*1955; Burnett, Swayne & Co, and Askham & Co, 11 Westwood Road, Southampton.

Banfield, John Clayton, A.C.A., *a*1961; Main, Banfield & Co, Lloyds Bank Chambers, The Borough, Yeovil, Somerset.

Barnes, Hugh Edward Michael, A.C.A., *a*1958; †Tansley Witt & Co, 22–24 Ely Place, London EC1, and at Sydney; also at Melbourne, *Tansley, Witt & Co.

Benjamin, Theodore Toby, B.COM., A.C.A., *aS*1956; T. E. Rowell & Co, 1 Northumberland Place, North Shields, Co. Durham.

Bennett, Frank Cecil, F.C.A., *a*1950; 40A Marlborough Court, Pembroke Road, London W8.

Bermon, John Harry, A.C.A., *a*1961; Goldwyn Bros & Co, 88–90 Temple Chambers, Temple Avenue, London EC4.

Booth, Ian Gordon, A.C.A., *a*1957; Mann, Judd & Co, 8 Frederick's Place, Old Jewry, London EC2

Bosworth, John Michael Worthington, F.C.A., *a*1951; Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.

Bower, Julian Thurston Syndercombe, A.C.A., *a*1961; †Binder, Hamlyn & Co, 121 Queen Victoria Street, London EC4, and at Manchester.

Brett, Raymond Michael Ashby, A.C.A., *a*1958; 11 The Uplands, Ruislip, Middlesex.

Bygrave, Clifford, A.C.A., *a*1958; Hillier, Hills, Frary & Co, 26 Victoria Street, Luton, Beds, and at Dunstable.

Carnwath, Thomas Douglas, M.A., F.C.A., *a*1938; †Peat, Marwick, Mitchell & Co and †Edwin Guthrie & Co, Norwich Union House, King Street, Manchester 2; also at Barrow-in-Furness and Liverpool, †Peat, Marwick, Mitchell & Co.

Cayless, Basilwood Leonard, A.C.A., *a*1952; 124 Carlyon Avenue, South Harrow, Middlesex.

Cheaney, Bryan, A.C.A., *aS*1955; Smith, Hodge & Baxter, National Provincial Chambers, High Street, Kettering.

Cheswright, David Michael, A.C.A., *aS*1956; 'Chesnut', Waverley Crescent, Runwell, Essex.

Clayton, Edgar Francis, M.A., B.SC.(ECON.), F.C.A., *aS*1932; 'Woodlea', Bredhurst, Gillingham, Kent.

Constable, Frederick Leonard, F.C.A., *a*1949; Asbury, Riddell & Co, Lloyds Bank Chambers, Ellesmere, Salop.

Cross, John Michael, A.C.A., *a*1959; 39 Chestnut Avenue, Priory, Dudley, Worcs.

Cunningham, Geoffrey, A.C.A., *a*1961; Rickard & Co, 12 Nelson Street, Southend-on-Sea, and at London; also at Worthing, Rickard, Chambers & Co.

Day, Arthur Alfred, F.C.A., *a*1936; Sharp, Parsons, Tallon & Co, 5 Laurence Pountney Hill, London EC4.

Dean, Kenneth, A.C.A., *aS*1954; *Dean, Prestwich & Co, 29 Water Street, Radcliffe, and at Manchester.

Dickinson, Walton Peter, A.C.A., *a*1954; Bolton, Wawn & Co, Alliance House, Hood Street, Newcastle upon Tyne 1, and at Sunderland.

Dixon, Leslie Albert, A.C.A., *aS*1956; Squiers & Co, Kings Court, 115 Colmore Row, Birmingham 3.

Dodsworth, Ian James, A.C.A., *a*1959; 15 Ainslie Wood Gardens, Chingford, London E4.

Donovan, Arthur James, A.C.A., *a*1958; Maw, Ellis, Warne & Co, 4 Gray's Inn Square, Gray's Inn, London WC1.

Dunkerley, George William, M.C., F.C.A., *a*1948; †Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.

Everitt, Alan William, A.C.A., *aS*1956; Hillier, Hills, Frary & Co, 26 Victoria Street, Luton, and at Dunstable.

Franklin, Geoffrey, F.C.A., *aS*1950; Carpenter, Arnold & Turner, Regent House, Princes Place, North Street, Brighton 1, and at Chichester, Crawley, Horsham and Steyning.

Garlick, Squire Horace, F.C.A., *a*1948; S. J. G. Southon & Co, 10 Richmond Road, Exeter, and at Newton Abbot, Parkstone and Totnes.

Garman, Derek Owen, A.C.A., *a*1957; Crouch & Co, 17 Queens Road, Brighton.

Garthwaite, Roy, M.A., A.C.A., *a*1954; Brown, Butler & Co, 32–33 Commercial Street, Leeds 1.

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§ means 'incorporated accountant member'.

a indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Gill, John, A.C.A., *a*1961; Neaves, Bell & Co, 55–57 Barton Arcade, Manchester 3.
Goldberg, Harvey, A.C.A., *a*1961; *Hyman Freedman & Co, 92 Gray's Inn Road, London WC1, and at Southend-on-Sea.
Goldring, John Irwin, A.C.A., *a*1958; Trevor & Co, 14 Mayfield Gardens, Hendon, London NW4.
Greenfield, Peter, A.C.A., *a*1958; Charles F. Beer & Co, Gordon Chambers, 21 Bond Street, Leeds 1.
Grundy, Thomas, F.C.A., *a*1936; W. H. Cork, Gully & Co, 19 Eastcheap, London EC3.
Hammond, John Bateman, A.C.A., *aS*1956; Smith, Hodge & Baxter, National Provincial Chambers, Kettering.
Harden, Peter Lee, B.SC.(ECON.), A.C.A., *a*1957; C. Neville Russell & Co, 11 Poultry, London EC2, and at Egham.
Haward, William Edward, A.C.A., *a*1960; Franklin, Wild & Co, Orient House, 42–45 New Broad Street, London EC2, and at Bognor Regis.
Heather, Cecil, F.C.A., *a*1950; Pannell, Crewdson & Hardy, 9 Basinghall Street, London EC2.
Hughes, Philip John, A.C.A., *a*1954; Annan, Dexter & Co, 21 Ironmonger Lane, London EC2.
John, Ivor William Murray, F.C.A., *a*1934; Maw, Ellis, Warne & Co, 4 Gray's Inn Square, Gray's Inn, London WC1.
Johnson, David Robert, A.C.A., *a*1961; 5 St. Bernards Avenue, Belgrave, Leicester.
Jowett, Kenneth, A.C.A., *a*1961; Thomas Craggs & Co, 'Welgarth', Masham, Ripon, Yorks, and at Darlington, Hawes and Leyburn.
Kimpton, Eric John Arthur, F.C.A., *a*1949; Carpenter, Arnold & Turner, Regent House, Princes Place, North Street, Brighton 1, and at Chichester, Crawley, Horsham and Steyning.
Lawrence, Peter John, A.C.A., *a*1961; P. J. Lawrence & Co, 4 Dollisroft, Holders Hill Circus, London NW7.
Leece, Geoffrey Robert, A.C.A., *a*1954; W. H. Walker & Co, 42 Castle Street, Liverpool 2, and at Douglas; also at London, W. H. Walker & Co, E. C. Price, Son & Reid and Slade, Lewis & Slade.
Lees, Geoffrey, F.C.A., *a*1951; A. E. Smith, Craven & Co, Regent Chambers, Hall Cross, Doncaster.
Leesing, Brian, A.C.A., *aS*1957; 14 The Boulevard, Long Sandall, Doncaster.
Lemon, Geoffrey Raymond, A.C.A., *a*1960; Elliott & Lemon, 27c Castle Street, Salisbury, Wilts.
Longcroft, Peter Martin Stoddart, A.C.A., *a*1960; Longcroft, Smith & Co, and Reeves & Rothwell, Capel House, New Broad Street, London EC2.
Lord, John William, A.C.A., *a*1953; Carley & Co, 48 Windmill Street, Gravesend, Kent.
§Loveless, Brian Charles, A.S.A.A., *a*1961; 86 Cranbrook Road, Ilford, Essex.
Mansel, Peter George, A.C.A., *aS*1954; Rickard & Co, 20 Southampton Place, London WC1, and at Southend-on-Sea; also at Worthing, Rickard, Chambers & Co.
Marshall, William, F.C.A., *a*1950; Norman F. Kirby & Co, 3 Church Street, Colchester, Essex.
Masters, Alfred, A.C.A., *a*1952; Derbyshire & Co, Bentinck Buildings, Wheeler Gate, Nottingham, and at London.
Morcom, Richard Hugh, F.C.A., *a*1950; Pannell, Crewdson & Hardy, 9 Basinghall Street, London EC2.
Mountford, William Robert, A.C.A., *aS*1952; Edward Thomas Peirson & Sons, 20 Half Moon Street, Piccadilly, London W1.
Newman, Malcolm James Gare, A.C.A., *a*1961; B. Davis & Co. 59 Sloane Street, London SW1.
Norden, Geoffrey Robert, A.C.A., *aS*1956; C. Neville Russell & Co, 11 Poultry, London EC2, and at Egham.
Owen, John, A.C.A., *a*1956; Thomas Coombs & Son, Oxford Chambers, Victoria Square, Leeds, 1.
Parker (Miss), Lucy Jean, A.C.A., *aS*1954; Rickard, Chambers & Co, Colonnade House, High Street, Worthing; also at London and Southend-on-Sea, Rickard & Co.
Parr, Geoffrey John, A.C.A., *a*1959; Fincham, Vallance & Co, 3 & 4 Clement's Inn, Strand, London WC2.
Peat, Trevor Cyril, A.C.A., *a*1961; 575 Whitton Avenue West, Greenford, Middx.
Reid, Ernest Heath, F.C.A., *a*1951; 18 Hyde Road, Sanderstead, Surrey.
Rogers, John Victor, F.C.A., *a*1935; James Sibbald, Forsyth & Farnsworth, 41 St Mary's Gate, Derby.
Ross, Derek Guy, A.C.A., *a*1960; Ross, Jones & Co, 166 Newport Road, Cardiff, and at Swansea.
Savage, Paul Stephen Gladstone, A.C.A., *aS*1957; Baldwin & Son, Moore's Chambers, London Road, Sunningdale, Berks.
Simmons, Alan Harvey, A.C.A., *a*1957; 13 Alders Close, Edgware, Middx.
Smith, Peter Harry, A.C.A., *a*1961; Altman, Smith & Co, 13 Rockingham Street, Sheffield 1.
Stringer, George, A.C.A., *a*1958; 117 Rycot Road, Speke, Liverpool 24.
Swan, Noel Eric Bishton, A.C.A., *a*1960; 22–23 Laurence Pountney Lane, Cannon Street, London EC4.
Taylor, Paul Duncan, A.C.A., *a*1959; John Gordon, Harrison, Taylor & Co, 7 Bond Place, Leeds 1, and at Harrogate.
Thomson, Brian, A.C.A., *aS*1957; 82 Luton Road, Dunstable, Beds.
Thornton, Michael Stewart, F.C.A., *a*1948; Radley, Smith & Co, Devonshire House, Great Charles Street, Birmingham, 3.
Tidman, George Walter, F.C.A., *a*1949; 36 Cobble Carr, Guisborough, Yorks.
Trenchard, Brian Morris, B.A., A.C.A., *aS*1957; Ross, Jones & Co, 166 Newport Road, Cardiff, and at Swansea.
Turley, Raymond Cornelius, A.C.A., *a*1961; Angus Scott & Co, 9 Basinghall Street, Guildhall, London EC2.
Turner, Donald Ernest, A.C.A., *a*1961; 4 Nevis Close, North Romford, Essex.
Wade, Robert Ludley, A.C.A., *a*1959; Charles Hamer & Co, 107 Grange Road, Middlesbrough, at the Stokesley.
Whitley, William, F.C.A., *aS*1931; Squiers & Co, Kings Court, 115 Colmore Row, Birmingham 3.
Wyatt, Jack, F.C.A., *a*1948; M. Spencer Ell & Co, 81 Bell Street, Henley-on-Thames, Oxon.

Admission to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 4 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter. One application under clause 5 was refused.

Re-admission to Membership

It was reported to the Council that the following re-admission, made at the Council meeting on January 3rd, 1962, subject to payment of the amount required, had become effective.

Mitchell, David Campbell, F.C.A., 28 Ridgeway North, Highlands, Southern Rhodesia.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Venkatachellam Vaidyanathan to Vaidya Nathan Chellam.
Michael David Weisburg to Michael David Whitehill.

Resignations

The Council accepted the resignations from membership of the Institute of:

Andrews, Leslie Graham, F.S.A.A., Monkstown, Co. Dublin.
Blake, Claude Stanley, F.C.A., Somerton, Somerset.
Clegg, Ernest Bosomworth, F.S.A.A., Saltdean, Brighton.
Daroowalla, Nadirshah Ardeshir, F.S.A.A., Bombay.
Davies, Eric, F.S.A.A., King's Norton, Birmingham.

Gibson, John Ridley, F.C.A., London.
Hannam, Herbert Lovel, F.C.A., Exmouth.
Harrap, Ernest Charles, F.C.A., Eastbourne.
James, John Henry Lewis, B.A., F.C.A., London.
Mitton, John Charles, F.C.A., Bournemouth.
Nadin, Neville Radford, F.C.A., Derby.
Rawkins, Edward George, F.C.A., West Worthing.
Reynolds, James Heydon, A.C.A., Crewe.
Ridley, Arthur Bertram, F.S.A.A., Reading.
Robinson, William Heaton, F.C.A., Colne, Lancs.
Rosset, Gino Oliver, F.C.A., Staines, Middlesex.
Shaw, Henry Cooper, F.C.A., Liverpool.
Sterling, James Charles, F.S.A.A., Bournemouth.
Stone, Donald Cuthbert, F.S.A.A., Iver, Bucks.
Thornton, William Standcliffe, F.C.A., Elland Yorks.
Vivian, Norman Kingsley, F.C.A., Chipstead, Surrey.
Weddell, Ernest Henry, F.C.A., Long Eaton, Derbyshire.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr William Campbell Allan, F.C.A., Newcastle upon Tyne.
„ Harold Appleyard, F.C.A., York.
„ James Alfred Atkinson, F.C.A., Manchester.
„ Raymond Frank Charles Baker, F.C.A., London.
„ Richard Thorpe Bartley, F.C.A., London.
„ Arthur John Birch, F.C.A., London.
„ Herbert Blicq, F.S.A.A., Chichester.
„ Charles Walter Bond, F.C.A., Solihull.
„ Harold Bowers, F.C.A., Cheadle.
„ William Harold Brandon, F.C.A., Omagh.
Sir Harry Harrison Burn, K.B.E., F.C.A., Haslemere
Mr Frederick William Burton, F.C.A., Wimborne.
„ John Duncan Ritchie Cheetham, F.C.A., Liverpool.
„ Edmund Trafford Chesworth, F.C.A., Manchester.
„ Alfred Edward Cossins, F.C.A., York.
„ Alfred Farley Cosson, F.C.A., London.
„ John Norris Davie, F.C.A., London.
„ Charles Malcolm Davies, F.C.A., Birkenhead.
„ Roy Terence Francis Daykin, F.C.A., London.
„ Wilfred George Dray, F.C.A., Brighton.
Mr Arthur Derek Hafiz Dodson, M.A., F.C.A., Crowborough.
„ Frank England, F.C.A., Hove.
„ Thomas Arnold Evans, F.C.A., Mountain Ash, Glam.
„ William Norman Gibson, F.C.A., Leeds.
„ Maurice Bernard Hancock, F.C.A., Birmingham.
„ Charles Bernard Henning, F.C.A., London.
„ Joseph Henry Hill, F.C.A., Plymouth.
„ Frank Leonard Hirst, C.B.E., F.C.A., Hove.
„ Albert Edward Hook, F.C.A., Ryde.
„ Stanley Whitaker Horne, F.C.A., Newcastle, Staffs.
„ William Norman Hoyte, F.C.A., Exeter.
„ Ellis Leslie Jones, F.C.A., Chester.
„ John Lacy, F.C.A., Stockport.
„ Thomas Latham, F.C.A., Wigan.
„ Victor George Maile, F.S.A.A., London.
„ Ernest Thrale Martin, F.C.A., Newcastle upon Tyne.
„ Gilbert Mathison, F.C.A., London.
„ John Francis Mullen, F.C.A., Liverpool.
„ Gilbert Paul Norton, C.B.E., D.S.O., T.D., M.A., D.L., F.C.A., Wetheral.
„ Harold Charles Paice, F.C.A., Ndola, N. Rhodesia.
„ Ronald Guy Penny, F.C.A., London.
„ John William Pickles, F.C.A., Selby.
„ Thomas Edward Preece, F.C.A., Stanstead, Suffolk.
„ Leonard Charles Prynn, F.C.A., Birmingham.
„ Wilfrid Rhymer, F.C.A., Sunderland.
„ Leslie Scott, F.C.A., Hastings.
„ William David Scott, M.A., F.C.A., London.
„ Ian Frederick Shearer, A.C.A., Beaconsfield.
„ Vernon Archdale Smith, F.C.A., Calcutta.
„ Upendra Nath Sur, F.S.A.A., Calcutta.
„ Ormerod Taylor, F.C.A., York.
„ John Vincent Underwood, F.C.A., Hale, Cheshire.
„ Henry William Allen Waring, C.M.G., F.C.A., London.
„ Philip Harold Whitcombe, F.C.A., Birchington.
„ Maurice Evan White, O.B.E., F.C.A., London.
„ Thomas Whyman, F.C.A., Manchester.
„ Arthur Horsford Williams, F.C.A., Wiveliscombe.
„ James Arthur Wilson, F.C.A., Rio de Janiero.
„ Herbert Ison Wonfor, C.B.E., F.C.A., London.
„ Cyril McKerron Young, M.B.E., F.C.A., London.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on December 14th, 1961.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an Associate of the Institute, practising with two other persons as a firm of accountants, had been guilty of an act or default discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that the firm commenced to act as professional accountants to a lady without first communicating with her then professional accountant, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and the Committee ordered that the member be reprimanded but considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on January 10th, 1962.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Adrian Jacobs, A.C.A., was adjudicated bankrupt on November 29th, 1960, so as to render himself liable to exclusion or suspension from membership of the Institute. The Appeal Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Adrian Jacobs, A.C.A., had been proved and the Appeal Committee affirmed the Decision of the Disciplinary Committee that Adrian Jacobs, A.C.A., of 21–22 Grosvenor Street, Mayfair, London W1, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

The Anatomy of Work: the implications of specialization; by G. Friedman: translated by W. Rawson. 1961. (Heinemann, 25*s*.)

Auditing Automatic Data Processing . . .; by A. B. Frielink. Amsterdam. 1961. (Elsevier Publishing Co, 15*s*.)

Australian Tax Planning with precedents; by P. R. Adams and B. J. McMahon. Sydney. 1961. (Butterworths, 65*s*.)

Business Consortia; by A. H. Boulton. 1961. (Sweet & Maxwell, 30*s*.)

Buying and Selling a House; by M. B. Evans: third edition. 1961. (Stevens, 15*s*.)

Caer Rhun Hall Manual; Part I: Consolidated Accounts; by V. R. Anderson. Conway, Caernarvonshire. 1961. [Loose-leaf.] (V. R. Anderson, 20*s*.)

The Convention between the United Kingdom . . . and the Italian Republic for the Avoidance of Double Taxation; by F. E. Koch and V. Uckmar. 1961. (International Bureau of Fiscal Documentation, presented by F. E. Koch.)

Cost Accounting: analysis and control; by G. Shillinglaw. Homewood, Illinois. 1961. (Irwin, 64*s*.)

Elements of Taxation; by R. G. Williams, F.C.A.: eighth edition. 1962. (Donnington Press, 17*s* 6*d*.)

The Examination of Witnesses in Court; by Sir F. J. Wrottesley; third edition. 1961. (Sweet & Maxwell, 20*s*.)

Green's Death Duties; by G. M. Green: fourth edition, by C. D. Harding. 1958. Fourth supplement. 1961. (Butterworth, 12*s* 6*d*.)

A Guide to the Maintenance and Control of Regimental Funds; by W. B. Wilton. Aldershot. 1961. (Gale & Polden, 10*s* 6*d*.)

How to Borrow Money; by L. J. Benjamin and J. Atholl. 1961. (Museum Press, 15*s*.)

Industrial Diagnosis; by K. Pennycuick. 1961. (E.U.P., 21*s*.)

En Liden Tractat indeholdende grunden aff der Italiansche Bogholderie . . .; by Petraeo Bartholomeo. Copenhagen. 1673. (Presented by Föreningen af Statsautoriserede Revisorer.) [Facsimile reproduction.]

Management Uses of Accounting: planning and control for profits; by R. F. Lewis. New York. 1961. (Harper, 27*s*.)

Office Equipment News Standard Reference and Data Book: (edited by R. Capes and R. Norris.) 1961. (Business Publications, 42*s*.)

Office Staff Practices 1961. (Institute of Office Management.) 1961. (I. of O.M., 50*s*.)

*Principles of Accounting; by S. W. Rowland, F.C.A.: seventh edition by R. E. Seaborne, F.C.A. 1961. (Donnington Press, 27*s* 6*d*.)

The Principles of Executorship Accounts; by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, A.C.A.: fourth edition. 1959. Second supplement [1961.] (H.F.L., presented, 15*s*.)

The Problem of Selling and Distributing Cost Accounting. (Institute of Cost and Works Accountants): third edition. 1961.

Quality Control in the Office; by P. N. Wallis, F.C.A. 1961. (Current Affairs, presented by the author, 30*s*.)

Silke on South African Income Tax . . .; by A. S. Silke: second edition. Cape Town. 1961. (Juta, 175*s*.)

The Tax Man Cometh; by J. R. Brummell. 1961. (One World Books, 15*s*.)

The Trustee Investment Act, 1961; by M. M. Wells: with accountancy examples by A. W. Nelson. 1961. (Butterworths, 12*s* 6*d*.)

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* This book has been presented to all District Society Libraries under the grant of books scheme.

Notes and Notices

PROFESSIONAL NOTES

MESSRS MCCLELLAND, MOORES & CO, Chartered Accountants, Glasgow, announce the formation of a joint partnership with Messrs ARTHUR YOUNG & COMPANY, Certified Public Accountants, of the United States of America, to carry on practice in Scotland under the name of ARTHUR YOUNG & COMPANY. The partners in the joint firm are Sir IAN BOLTON, Bt, Messrs S. E. HOUSTOUN, JOHN DUNLOP, W. A. BROWN and H. M. LESLIE, of Glasgow, and Messrs THOMAS G. HIGGINS, JOHN J. DEERING, RALPH E. KENT, J. HAROLD STEWART and THOMAS D. FLYNN, of New York. The existing practice of Messrs MCCLELLAND, MOORES & CO, will continue as heretofore.

MESSRS MELLORS, BASDEN & MELLORS, Chartered Accountants, of Nottingham and Manchester, announce that their senior partner, Mr FRANK PRAGNELL, M.C., F.C.A., who has served for fifty-five years with the firm and has been a partner for more than forty-seven years, will in future take a less active part in the practice. He will, however, be available on matters with which he has recently been associated.

MR S. ARTHUR MORRIS, Chartered Accountant, of Vallis Building, Hamilton, Bermuda, announces that he has succeeded to the practice of Messrs F. W. WILLIAMS & CO, Accountants and Auditors, of Utility House, Hamilton, Bermuda, and that he will henceforth practise at the latter address.

MESSRS MORRIS, SNELLING, MARTIN & CO, of Hamilton, Bermuda, announce that their address has been changed to Utility House, Hamilton, Bermuda.

Appointments

Mr J. B. Worley, B.A., F.C.A., has been appointed a director of the Planet Building Society.

Mr G. B. Holt, F.C.A., has been appointed managing director of the Royal Trust Company of Canada.

Mr K. A. E. Moore, F.C.A., and Mr A. P. Rivers, F.C.A., have joined the board of Ranks Hovis McDougall Ltd, following the merger of Ranks and Hovis-McDougall. Mr Moore has been appointed deputy chairman.

Mr C. H. Jackson, F.C.A., chairman and joint managing director of Telephone Manufacturing Co Ltd, has been appointed a director and chairman of Faraday Electronics Ltd.

Mr Henry G. Penniket, F.C.A., has been appointed deputy chief financial officer of the Central Electricity Generating Board.

Mr Harold Evans, F.C.A., has been co-opted to the board of Hide & Co Ltd.

Mr Nigel J. Bennett, D.F.C., F.C.A., has been appointed managing director of Tecalemit Ltd as from August 1st, next.

Mr G. A. Gardner, B.SC.(ECON.), F.C.A., a director of Venesta Ltd, has been appointed managing director of Universal Metal Products Ltd, and of Venesta Metal Containers Ltd, from March 1st.

Mr L. M. T. Castle, F.C.A., has been appointed deputy chairman of Stanton Ironworks Co Ltd.

Mr C. S. F. Hole, F.C.A., has become chairman of Welch, Margetson & Co Ltd.

Mr J. F. Nash, F.C.A., has been appointed a director of Hoods Ltd.

Mr Charles L. Turnbull, O.B.E., F.C.A., has been appointed a director of Grants of St James's Ltd.

Mr R. H. Hill, F.C.A., has been appointed secretary of British Insulated Callender's Construction Co Ltd.

Mr G. E. Castell, A.C.A., has been appointed secretary accountant of Gent & Co Ltd.

Mr W. Blackie, C.A., C.P.A., has become president of Caterpillar Tractor Co.

Mr J. A. R. Macphail, C.A., has been appointed to the board of The Highland Distilleries Co Ltd, as from February 1st, 1962, on his resignation from the board of Arthur Bell & Sons Ltd, and its subsidiaries.

Mr J. M. Goodwin, C.A., has been appointed secretary to The Highland Distilleries Co Ltd, as from January 3rd, 1962.

Mr D. N. Dow, C.A., A.C.W.A., has been appointed financial controller of the Kenwood Group of companies and Mr Ian T. Morrow, C.A., F.C.W.A., has been appointed a director and deputy chairman of Kenwood Manufacturing Co Ltd.

Mr E. G. Long-Innes, O.B.E., F.S.A.A., has been appointed a director of Pretoria Portland Cement Co Ltd.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Taxation and Research Committee

The 119th meeting of the Taxation and Research Committee was held at the Institute on Thursday, February 8th, 1962, at 2 p.m.

Present: Mr J. Cartner (in the chair); Messrs F. W. Allaway, G. R. Appleyard, G. L. Aspell, T.D., J. T. Barraclough, R. D. R. Bateman, M.B.E., C. J. M. Bennett, R. P. Brown, K. A. Buxton, W. R. Carter, L. H. Clark, S. M. Duncan, N. Cassleton Elliott, E. S. Foden, C. R. P. Goodwin, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., S. Kitchen, J. W. Margetts, A. G. Martin, S. A. Middleton, G. P. Morgan-Jones, E. J. Newman, R. D. Pearce, J. Perfect, T. B. Pritchard, A. H. Proud, C. Romer-Lee, E. C. Sayers, H. G. Sergeant, H. C. Shaw, W. Shuttleworth, H. Eden Smith, D. E. T. Tanfield, C. C. Taylor, A. G. Thomas, L. R. Turner, D. C. Urry, and G. H. Yarnell, with Mr N. B. Hart and the Assistant Secretaries to the Committee.

The late Mr L. J. H. Noyes

It was reported that £90 subscribed by members had been donated on behalf of the Taxation and Research Committee to the Imperial Cancer Research Fund in tribute to the memory of the late Mr L. J. H. Noyes, Secretary to the Committee from 1954 to 1961.

Sub-committees

Reports of progress were received from fifteen sub-committees, and the Vice-Chairman reported regarding a meeting of the Planning Sub-committee with representatives of the regional taxation and research committees.

Future Meetings

The 120th meeting of the committee will be held on Thursday, April 12th, 1962, and the following dates have been provisionally fixed for further meetings in 1962:

Thursday, June 14th, 1962.
" September 13th, 1962.
" October 11th, 1962.
" December 13th, 1962.

INSTITUTE BANQUET IN GUILDHALL

We have been asked to remind members of The Institute of Chartered Accountants in England and Wales who are desirous of attending the banquet to be held in Guildhall on May 3rd – the evening of the annual meeting – that application cards should be returned to Moorgate Place not later than *February 28th.*

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr F. M. W. Hird, F.C.A., F.C.W.A., gave a luncheon party last Wednesday at the Grand Hotel, Sheffield. Those present were:

Mr Gerard Young, J.P. (*The Master Cutler; Pro-Chancellor of Sheffield University*); Councillor R. Viner (*President of the Sheffield Cutler Manufacturers' Association Ltd*); Mr Denis A. Senior, (*President of the Sheffield Chamber of Commerce*); Mr S. Carter, A.C.W.A.; Mr Richard T. Doncaster (*managing director, Daniel Doncaster & Sons Ltd*); Mr D. E. Edmonds, F.C.W.A.; Mr H. Pattison, F.C.W.A.; Mr W. D. Pugh (*managing director, English Steel Corporation Ltd*); Mr E. E. Vessey, F.C.A., A.C.W.A.; Colonel H. Wise, M.C. (*director, Tennant Bros Ltd*); Mr Derek du Pré (*Secretary of the Institute*).

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Luncheon Meeting

Professor W. J. Fairbairn, C.A.(S.A.), Professor of Accounting and Auditing at the University of Natal, will be the guest speaker at a luncheon meeting of the London and District Society of Chartered Accountants to be held at the Connaught Rooms, Great Queen Street, London WC2, on Monday, February 26th, at 12.30 for 1 p.m.

Members may bring guests and ladies are invited. Tickets at 19s each are available from the secretary, Mr J. W. G. Cocke, T.D., M.A., F.C.A., 2 Norfolk Street, London WC2.

NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will take place at the Russell Hotel, Russell Square, London WC1, on Wednesday next, February 21st, at 6 for 6.30 p.m. The subject for discussion will be 'The report of the Parker Committee on education and training' and the leader will be Mr W. G. Densem, F.C.A.

The honorary secretary of the group is Mr P. D. Knox, A.C.A., Somerset Cottage, Duxhurst, near Reigate, Surrey. Office telephone: Prospect 3499.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'The Mystery of the Three Clocks' and 'The Glass Eyes That See' are the titles of films which will be shown at a meeting of the Fellowship at 6 p.m. on Wednesday next, February 21st, in the Oak Hall of the Institute, Moorgate Place, London EC2.

The showing of the films will be followed by a business session for the annual general meeting of the Fellowship. All who are interested will be welcome.

LEEDS AND BRADFORD STUDENTS' RESIDENTIAL COURSE

The eleventh annual residential course to be arranged by the Leeds, Bradford and District Society of Chartered Accountants in conjunction with the Leeds and the Bradford chartered accountant students' associations, will be held during the periods March 26th–29th (for Intermediate students) and April 9th–12th (for Final students) at Grantley Hall, near Ripon.

The courses will cover a wide variety of subjects within the Institute's syllabus and will also enable students to discuss their problems with lecturers and amongst themselves. The course secretary is Mr B. Hainsworth, c/o Messrs Blackburns, Robson, Coates & Co, Commerce House, Cheapside, Bradford 1. Applications to attend the course should be received no later than February 24th.

'COMMUNICATION IN INDUSTRY'

A half-day conference organized by the Willesden & Hendon Productivity Association on the subject 'Communication in industry' is to be held on February 22nd commencing at 2.30 p.m. at Hendon Technical College, The Burroughs, Hendon, London NW4. The conference, which will be under the chairmanship of Sir John Paget, works director, Napier Aero Engines Ltd, has been arranged to show various ways and means by which channels of communication can be improved in order to increase efficiency in the day-to-day running of a business. Speakers will be Mr Andrew Moffat, head of training services, Industrial Welfare Society, and Mr T. E. Fassam, head of intelligence, central work study department, Imperial Chemical Industries.

Further particulars may be obtained from Mr L. M. Fisher, Book Centre Ltd, North Circular Road, Neasden, London NW10.

SEVENTY-FIVE YEARS AGO

FROM The Accountant OF FEBRUARY 19TH, 1887

A Weekly Note

"You will note that our auditor's report is thoroughly satisfactory as regards the position of the bank, and gratifying to the directors as such a report relieves the mind of a grave responsibility. The importance of an audit cannot be exaggerated, and if I may be allowed to make a suggestion derived from an intimate knowledge of accounts extending over a good number of years, it is that if more business firms were in the habit of having a yearly audit by competent and independent accountants some of them would be saved a great deal of anxiety and embarrassment caused by trading beyond the capacities of their capital." The foregoing extract is from the speech of the chairman (Dr. Harrison) of the Bristol and West of England Bank, at the annual meeting of the bank held a few weeks ago. They are satisfactory remarks, because they are as we believe, true. Whatever newspaper writers, whose articles are written for a public which after all does not understand the matter may say, accountants and the work of accountants is rising, slowly and surely, but surely if slowly in the estimation of practical men in all the walks of manufacture, commerce and finance. The quotation we have just given if in one sense it is gratifying has this serious import, that on accountants a great responsibility devolves, and will continue to devolve. That is as it should be. The object of the members of the Institute should be to enlarge the area of their work, and not to shrink from the due and reasonable responsibility which is an essential concomitant of that enlargement.

MANAGEMENT ACCOUNTING COURSES

Two one-day courses on 'Business forecasts and market research' and 'Better business decisions' are to be held in London on February 27th and March 1st respectively, and will be repeated in Manchester on March 13th and 14th.

The first course will include subjects dealing with the conditions and climate in which companies may expect to operate in the future, the use of internal statistics and the nature of factors to be taken into account in making a business forecast. The second course will examine the nature of business decisions, organization structure, and the development and growth of operational research.

Further information regarding the courses is available from Management Courses Ltd, 8 St George's Terrace, London NW1.

INSTITUTE OF ACTUARIES

New President Elected

Mr K. A. Usherwood, M.A., F.I.A., has been elected President of the Institute of Actuaries in succession to Mr J. H. Gunlake, C.B.E., F.I.A., whose term of office will expire on June 18th, 1962.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Examinations held in November 1961

FINAL EXAMINATION

Held on November 28th, 29th and 30th and December 1st, 1961

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize, the W. E. Peat Medal and Prize, the William Quilter Prize, the O. C. Railton Prize for the year 1961 and the Plender Prizes for the papers on Auditing and English Law (Part II)
Bates, William (F. S. Bentley), Nottingham

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on English Law (Part I)
Bowman, Jeffery Haverstock (M. R. Harris), London

Third Certificate of Merit and the Charles M. Strachan Prize
Davies, Anthony Warren (C. I. Steen), London

Fourth Certificate of Merit
Penney, Malcolm Olaf (H. W. C. Airey), London

Fifth Certificate of Merit and the Plender Prize for the paper on Advanced Accounting (Part I)
Gordon, David John (R. Mallabar), London

Fifth Certificate of Merit
Dornton, John Patrick (H. M. Hawthorne), London

Seventh Certificate of Merit
White, Roger John Graham (A. K. Fison), London

Full List of Names of Successful Candidates

(In alphabetical order)

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Abdulla, M. H. (R. R. Nash), London
Adams, D. S. (K. Duncan), Liverpool
Aderemi, B. S. A. (S. J. Lambert), London
Adeyemo, M. A. (W. W. Mortimer), London
Agballah, H. O. P. (L. F. Terry), Brighton
Aggarwal, J. C. (A. J. Hebblethwaite), London
Ahmad, J. U. (R. M. Peat), London
Aiyer, A. G., London
Alexandre, K. J. (W. G. Allen), London
Al-Hafidh, A. H. (W. Stanton), London
Allatt, J. D. (G. P. Marsden), Halifax
Allen, B. J. (W. T. Tanser), Leicester
Alsegaf, H. (R. M. Patel), London
Ambanpola, E. M. K. B. (A. Feldman), London
Ambler, K. (D. T. Veale), Leeds
Anderson, J. V. R. (H. T. Nicholson), London
Anderson, W. R. (H. A. Sisson), Newcastle upon Tyne
Aplin, E. C. (F. W. Partridge), Reading
Appleyard, K. H. (D. Lewis), London
Arbib, M. (L. C. Coe), London
Armstrong, I. G. (G. D. Shepherd), Carlisle
Arnold, R. D. (K. Scott), London
Arthur, B. J. (L. H. Norman), London
Ashplant, D. C. (A. E. Pugh), Newport, Mon
Atkins, D. H. (C. G. Brown), London
Atkinson, H. J. (F. S. Bray), London
Atkinson, M. R. (F. L. Moulding), Sheffield
Atkinson, R. B. (E. S. Prince), London
Atter, J. P. (J. Daykin), Nottingham
Aucott, T. H. (N. M. Askwith), London

Bacon, J. F. (C. McCabe), Maidstone
Baddeley, J. W. B. (L. H. Andrews), Horsham
Bailey, B. C. (P. H. Palmer), Nottingham
Bailey, D. N. (W. B. Whipp), Manchester
Bailey, R. (J. W. Stirrup), Preston
Baird, D. M. (S. R. Lang), London
Baitup, P. R. (J. E. L. Griffith), Maidenhead
Baker, G. S. (K. H. Gibbons), Bristol
Ball, E. S. (F. L. Gower), Ipswich
Balsdon, M. J. (J. B. Chilcott), South Molton
Bamford, D. M. (H. B. Vanstone), Manchester
Bangor-Jones, R. S. (N. C. R. Fleming), Liverpool
Bannister, B. (K. R. Stanley), Lancaster
Barber, I. M. (F. McD. Hall), London
Barnett, B. E. C. (J. A. Jackson), London
Barraclough, K. (C. Luxton), Bradford
Barratt, J. B. (D. W. Flitney), London
Barrett, J. (M. D. Booth), Newbury
Baston, P. (Miss), (J. F. Pashley), Newcastle upon Tyne
Batch, C. R. (M. H. Cabourn-Smith), London
*Bates, W. (F. S. Bentley), Nottingham
Batters, R. (A. J. Webster), Manchester
Beardow, J. E. (C. R. Booth), Bradford
Beattie, J. C., London
Beighton, P. (L. W. H. Evans), Sheffield
Belk, B. H. (L. S. Wrightson), Grimsby
Belshaw, H. R. (C. G. May), London
Ben-Nathan, M. J. (J. R. Powell), London
Bennett, R. A. (N. H. Barnes), London
Benton, G. G. (G. C. B. Gidley-Kitchen), London
Berks, C. E. (D. S. Stevens), London
Berman, B. A. (R. G. Main), London
Berringer, J. F. (F. W. Berringer), Bromley
Berry, R. (S. G. Dowden), Bournemouth
Berry, R. N. (N. L. R. Trounce), Manchester
Bestwick, T. B. (A. Clark), Derby
Bicknell, C. G. (M. H. J. Thorne), London
Biel, D. T. (C. E. Van Den Bergh), London
Biggin, C. A. J. (J. S. Hoole), Sheffield
Blackburn, G. R. (W. H. V. Witcher) Reading
Blackley, D. Q. L. (R. G. Millard), Taunton
Blake, R. (P. F. Rendell), Bristol
Blandy, R. A. P. (C. J. M. Bennett), London
Blow, M. R. (C. R. Goulder), London
Boardman, P. J. (R. B. Leech), Coventry
Bobroff, A. H. (M. Nathan), London
Bodicoat, A. C. (L. Freeman), Leicester
Bolton, T. G. W. (D. A. Huggons), London
Boothroyd, B. (C. Connelly), Huddersfield
Boothroyd, M. R. (W. H. Thomas), Liverpool
Bose, S. (H. C. Allen), London
Bouch, W. D. (J. F. Aitchison), London
Boud, T. E. (A. J. Seal), Hounslow
*Bowman, J. H. (M. R. Harris), London
Bown, J. A. (H. C. Day), Chesterfield
Boyall, M. (H. Mark), London
Braid, W. R. (J. S. L. Springbett), London

* See also Certificate of Merit above.

Braithwaite, G. D. (T. A. H. Baynes), Birmingham
Brakell, J. R. (S. H. Cooper), Wallington
Bresnark, L. (V. S. Craig), London
Brett, J. (W. E. Ellison), Leeds
Bridge, A. P. (A. Johnson), Liverpool
Bridgehouse, E. (P. G. Livesey), Hyde
Briggs, J. C. (H. Barnett), Mansfield
Briston, R. J. (J. S. Paine), London
Broadbent, A. S. (R. F. George), London
Broadhurst, I. K. A. (R. S. Wilkinson), Stafford
Brodie, M. H. (E. Noble), London
Brown, K. R. (H. C. Mounsey), Liverpool
Brown, R. D. (R. G. Bayley), Blackpool
Brown, R. G. (W. E. Cox), Birmingham
Brown, R. H. (C. G. W. Blathwayt), Bristol
Brunskill, W. A. (E. C. F. Schooling), Carlisle
Bull, C. (L. S. Daniel), Taunton
Burton, P. W. (K. N. Hawkins), London
Burton, S. (W. A. Thomas), Hereford
Buswell, J. M. (Miss), (J. S. Furler), Newton Abbot
Buswell, K. M. (R. S. Bastow), Havant
Butt, B. M. (T. D. Allen), Bristol
Butt, M. I. (K. R. Smith), Newcastle upon Tyne
Button, M. H. N. (K. A. Buxton), Nottingham
Byng, G. G. (K. R. Morris), Bromsgrove

Cable, J. M. (E. B. Westwood), Birmingham
Caines, G. H. (A. G. Elliott), Harrow
Cairncross, P. (F. S. Wainston), Newcastle upon Tyne
Caldwell, R. G. (N. J. Williams), Warrington (*Plender Prize for the paper on Taxation*)
Campbell, D. (O. P. Haywood), Bolton
Canning-Byrd, C. (Miss), (L. A. Picot), Jersey
Capon, D. J. (G. T. Hills), London
Cappin, M. B. (D. J. Hill), London
Carr, J. D. (S. Dallow), Liverpool
Carter, J. D. O. (P. O. Carter), Bolton
Case, H. E. (B. D. Scott), Birmingham
Caseley, R. (G. A. Raines), London
Cash, P. W. T. (E. S. Russell), Birmingham
Cassidy, P. G. (E. R. Nicholson), London
Cattell, M. A. P. (J. M. Watson), Bournemouth
Catty, J. (D. H. Collier), London
Chaffe, J. A. (F. J. W. Hodgson), Plymouth
Chan, M. L. (Miss), (B. O. S. Savage), London
Chandley, C. W. D. (A. Ollerenshaw), Stockport
Chapman, K., Loughton
Cheetham, R. F. (E. D. London), Nottingham
Cheshire, B. L. E. (E. H. Brown), London
Child, R. J. F. (R. McNeil), Hove
Chown, C. M. (Miss), (C. H. I. Chown), Ilford
Clark, A. D. (C. W. Puckett), Torquay
Clark, K. G. (D. Browning), London
Cloke, D. J. (K. Todd), Leicester
Clutterbuck, P. S., London
Cochrane, M. F. (T. C. Capey), Newcastle upon Tyne
Cohen, A. P. (M. C. George), London
Cohen, H. (S. S. Gluck), London
Cole, G. L. C. (L. A. Fudge), Bath
Cole, R. A. (H. G. Lawrance), London
Collis, H. J. (P. Lynn), London
Comley, B. B. (K. B. Jefferies), Cardiff
Connolly, P. J. (N. A. Wiseman), London
Connor, B. K. (D. S. Lloyd), London
Constantine, M. D. (H. A. Astbury), London
Cooke, A. J. (E. B. Whitehouse), Walsall
Coomer, M. D. L. (J. V. Eastwood), Manchester
Cooper, A. (N. M. Cohen), London
Cooper, B. D. (G. S. Norris), Liverpool
Cooper, J. N. (H. J. Ballam), Ipswich
Corbett, J. E. (L. V. Hazlewood), Birmingham
Cordes, L. G. (F. R. Dixon), London
Cordwell, R. R. (J. K. Black), London
Corney, P. (R. Piercy), Birmingham
Corry, R. C. (C. H. Bryant), London
Coulthard, B. D. (J. W. Donald), Newcastle upon Tyne
Cowie, R. M. (Miss), (M. Fox), London
Cowin, D. M. (J. W. Richardson), Stourbridge
Cowtan, A. R. O. (F. Jones), London
Cox, A. R. (W. G. Allen), London (*Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting*)
Cox, A. R. E. (H. J. Binder), London
Cox, J. D. (R. A. Palmer), Northampton
Cox, J. S. (G. H. F. Storey), London
Coxon, P. J. E. (H. D. Solomon), London
Cropper, A. G. (D. H. Burton), Wolverhampton
Crosland, J. M. C. (R. V. Garton), Huddersfield
Crossfield, J. (Miss), (J. A. K. Collins), Newport, I.W.
Crossley, A. N. (J. F. Long), Stockport
Croxford, D. (H. V. Knight), London
Cuerden, A. (E. H. Illingworth), Huddersfield
Culling, D. A. (L. C. J. Brown), London
Cullingham, J. D. H. (D. R. Hindle), London

Dacosta, P. W. (R. A. C. Mordant), London
Dainty, J. R. (P. Cozens), Walsall
Dalling, B. J. (W. H. Minter), Brighton
Dalziel, C. R. (formerly with H. H. Kilvington, deceased), West Hartlepool
Dane, D. A. S. (H. N. Wylie), London
Darbyshire, B. (E. Tootle), Wigan
Darbyshire, M. J. (N. E. West), Littlehampton
David, E. G. (E. H. Trundell), Nairobi
*Davies, A. W. (C. I. Steen), London
Davies, J. W. C. (A. J. Leach), Hereford
Davies, T. J. (M. R. Davies), London
Davy, T. H. (S. Makin), London
Dawson, G. W. V., London
Dean, W. J. (A. E. Roberts), London
de Buriatte, P. E. B. (D. H. Harker), London
Delahaye, T. D. (P. W. Barrows), Birmingham
de Silva, P. D. U. (E. R. Funnell), London
Deva, S. (D. F. D. Cartwright), Brighton
Devani, K. M. (S. P. Quick), London
D'Haenens, C. (Miss), (D. T. Bainbridge), Darlington
Diamond, M. (M. Cooper), London
Diaper, C. M. (R. Bentley), Southampton
Dickenson, M. (C. Fox), Sunderland
Dineen, T. J. (A. Millichip), Swansea
Dobbs, J. A. V. (F. H. Carter), London
Dobkin, R. (L. F. Durman), London
Dodd, M. J. R. (W. P. L. Chappell), Wimborne
Dore, B. J. (H. W. V. Pullan), London
*Dornton, J. P. (H. M. Hawthorne), London
Douglas, B. K. (F. V. Denton), Liverpool
Downes, J. H. (H. R. V. Riley), Derby
Downs, A. P. (G. B. Langford), Petersfield
Dowse, P. B. (W. G. Dickinson), Doncaster
Drew, D. H. (P. F. Cansdale), London
Drewitt, L. F. (R. L. Wells), Twickenham
Duncan, D. R. L. (J. T. Corbett), London
Duncan, G. (G. D. Dillon), London
Dyson, M. P. (K. G. Warriner), Leeds

Eagle, A. R. (C. A. Brisley), London
East, D. H. (H. T. Higgins), London
East, P. B. (R. J. W. Phillips), Colchester
Easthill, H. J. D. (R. Kettle), London
Eddison, D. W. (Sir Harold Howitt), London
Edet, B. O. (I. M. Cohen), London
Edet, C. I. (F. W. Lincoln), Worthing
Edwards, R. B. (I. H. M. Robinson), Leeds
Eldridge, C. M. J. (L. Civval), London
Elias, E. A. (R. Gronow), Wolverhampton
Elliott, M. W. (L. E. Arrowsmith), North Shields
Ellis, D. J. (F. O. M. Smith), London
Elsmore, R. J. (C. J. Vane), Birmingham
Elsom, J. M. (W. Saxelby), London
Emanuel, G. R. (D. T. Jeremy), Swansea
Emin, S. P. (S. J. Lambert), London
Eustace, D. G. (R. P. Matthews), London
Evans, C. (J. G. S. Longcroft), London
Evans, D. C. (D. de G. Walford), Stockton-on-Tees
Evans, P. A. (H. R. Mole), Taunton
Evans, P. B. (S. Atkinson), Manchester
Evans, S. E. (R. A. Folland), Birmingham

Fallick, J. W. (E. Beal), Southampton
Fay, M. R. (A. E. Norfolk), Hull
Fell, R. A. (L. J. Moore), Newmarket
Firman, A. H. (E. A. Mortleman), London
Fisher, B. J. (R. J. Armstrong), Hitchin
Flower, A. H. (R. L. Latimer), London
Floyd, R. E. (A. D. Fincham), London
Fone, V. (Miss), (M. E. Lermit), London
Forster, R. E. (F. Haslam), Warrington
Foster, D. (E. G. Squires), Luton
Foster, J. C. (G. C. Sagar), Leeds
Foster, M. A. (C. Romer-Lee), London
Fowler, R. F. (C. T. N. Banks), Grays

* See also Certificate of Merit above.

Fox, G., Derby
Fox, T. G. (P. A. Bridger), Birmingham
Franks, A. (L. Moore), London
Freegard, F. E. C. (S. Snowball), Leeds
Freeman, A. J. (C. R. Atkinson), London
Freeman, L. (F. E. Hawkes), Luton
Freeman, N. D. J. (P. H. Champness), London
Freeman, R. O. O. (R. H. Jenkins), London
Freer, E. F. (P. F. Carpenter), London
Frizzle, W. (P. T. Duxbury), North Shields
Frost, P. A. (F. L. Bromfield), London
Funnell, B. H. (A. D. Booth-Jones), Hastings
Furby, D. J. (F. E. C. Apps), London

Gafny, N., London
Galliano, J. P. (R. A. W. Caine), London
Ganguli, A. (C. H. Aveyard), London
Garrett, A. C. (A. J. Pope), Bath
Gates, R. D. (G. E. Fisher), Birmingham
Geary, E. (T. G. Threlford), London
Gee, D. (C. R. Bellis), Bolton
Gee, M. J. (N. G. Sage), London
Gent, E. E., London
Geoghegan, A. T. N. (G. W. Pearson), Bradford
George, B. F. (H. W. Evemy), London
George, M. D. (G. E. F. Harding), Liverpool
Gibbins, G. C. (G. B. Bunker), London
Gibbs, R. C. (E. J. Danbury), London
Gill, D. G. (M. G. Bekenn), Birmingham
Gillespie, D. (D. G. Bendall), London
Glover, D. B. (L. M. Keen), Southend-on-Sea
Gobat, A. T. (G. B. Bunker), London
Goh, T. T. (F. W. Dadswell), London
Gold, H. P. (H. L. Layton), London
Goldberg, J. M. (F. R. Palmer), Chichester
Goldstone, A. S. (R. A. Douglas), Manchester
Goodgame, I. W. (J. E. Critchley), Oxford
Goodwin, T. R. T. (D. G. W. Ballard), London
*Gordon, D. J. (R. Mallabar), London
Gordon, I. (N. T. O'Reilly), Carlisle
Gorman, J. M. (C. Romer-Lee), London
Gough, A. J. (R. W. Collins), Newcastle upon Tyne
Goulding, K. J. (E. Sykes), Manchester
Graham, A. M. (L. Baker), London
Grainge, P. (R. H. Langdon-Davies), Oxford
Gray, S. M. (M. R. G. Cory-Wright), London
Green, D. H. (H. H. Fielding), Paignton
Green, D. L. T. (L. Smith), Kettering
Green, P. A. W. (G. B. Murgatroyd), Manchester
Greenfield, G. J. (W. L. Danks), Blackheath
Greenway, D. H., Paignton
Gregory, D. E. (I. H. Hayward), Nottingham
Griffin, S. A. (N. Lewis), Liverpool
Griffiths, J. H. C. (V. A. Tudball), London
Grimditch, K. F. (W. G. Sporle), Manchester
Gropper, E. S. (C. W. Allan), Bradford
Grove, J. M. (D. Spencer), West Bromwich
Grover, P. J. (C. M. Calverley), London
Groves, T. (R. W. Atkin), Sheffield

Habbitts, D. A. V. (W. C. Cull), Southampton
Hackney, J. P. (E. D. London), Nottingham
Halford, M. B. D. (W. B. S. Walker), London
Hall, H. (E. R. White), South Shields
Hall, S. R. (G. F. Davies), London
Hamilton, J. E. (D. J. T. Corbett), Longeaton
Hamilton, K. J. (P. D. Rabjohns), Worcester
Hampton, R. C. (D. B. D'Eath), London
Hands, R. (P. G. Barber), London
Hardy, M. K. (D. H. Thomas), London
Harlow, I. P. (K. P. Helm), Hull
Harman, N. J. (J. A. Adams), London
Harmer, A. E. M. (W. J. Tyler), Cambridge
Harris, J. (S. L. Hirst), London
Harris, R. I. (M. Bennett), London
Hart, E. E. (W. S. Carrington), London
Harte, C. S. (D. D. Kidson), Manchester
Hartley, C. T. M. (F. C. Kissack), Douglas
Hartshorn, A. C. (A. Guild), Coventry
Harty, C. J. (A. I. Wyborn), London
Hatt, B. J. (G. W. Burgess), London
Haviland-Nye, A. (D. T. H. Nicholson), London
Haw, P. J. (E. R. Longman), Leeds
Hawkins, C. A. (L. Humphreys), Epsom
Hay, J. (G. R. Porter), London
Hay, J. A. (C. I. Vernon), Crewe
Hayes, A. (H. Roberts), Blackburn
Hayes, E. J. (H. D. J. Haines), Hereford
Headland, A. T. P. (L. D. Morse), London
Heath, D. H. (J. E. Fischer), Liverpool
Heckscher, A. R. (D. E. Hope), London
Helliwell, P. G. W. (F. Haughton), Bath
Hendries, M. A. H. (M. A. P. Gay), London
Henshaw, J. (F. W. Bee), Nottingham
Henson, P. R. V. (K. R. Gray), London
Heptonstall, G. A. (B. Asquith), Leeds
Hewitson, J. D. (J. Thomason), Manchester
Hewitt, A. W. (R. A. Welch), Birmingham
Hewitt, P. S. (A. S. Willies), London (*Frederick Whinney Prize and the Plender Prize for the paper on Advanced Accounting (Part I)*)
Hill, A. J. (J. Birkett), Bristol
Hill, P. B. (R. M. Dowler), Manchester
Hillier, G. L. W. (O. Hill), Bromley
Hilton, J. (R. S. Gordon), Manchester
Hilton, R. (P. J. L. Case), Watford
Hindle, P. A. (J. C. Boyde), Bradford
Hine, H. (C. A. Solly), London
Hine, P. G. (B. A. S. Soole), London
Hipkiss, R. R. (F. L. Davies), Warrington
Hirshman, G. R. (M. S. Josephs), London
Hirst, D. B. A. (J. F. Shearer), London
Hix, R. E. (A. J. Whiting), Wisbech
Hobbs, B. W. (G. A. Ascough), Leeds
Hodgson, J. M. (D. Sirkin), Leicester
Holden, D. G. (C. J. M. Bennett), London
Holdsworth, B. G. (W. F. Masters), London
Holland, J. (T. I. Williams), London
Hollins, J. A. (N. T. Afford), Nantwich
Holmes, J. B. E. (N. Johnson), Chester
Holt, P. (W. R. Glossop), Bradford
Hope, C. J. (H. N. Greene), London
Hopkinson, C. W. (K. A. Marsden), Blackburn
Horton-Jones, G. K. (G. A. Morgan), Swansea
Hoskins, R. S. (W. H. Lawson), London
Howard, J. (D. R. Fendick), Manchester
Howarth, J. S. (R. Waterhouse), Leeds
Howell, D. C. P. (R. B. Morrish), London
Howell, D. G. (R. J. R. White), Abergavenny
Howlett, R. L. (E. R. Nicholson), London
Hubbard, H. D., Leicester
Huckle, P. G. (W. C. Jeffs), Leicester
Hughes, J. G. M. (J. R. Kilpatrick), Cardiff
Hughes, M. B. (J. W. Alington), Chelmsford
Hughes, R. W. E. (A. W. Dawson), Preston
Hull, G. J. C. (R. G. Beard), Sheffield
Hunter, C. D. (J. Holroyd), York

Inglesent, D. A. (J. R. Mead), Coventry
Inwards, M. A. (J. H. S. Howard), London
Iredale, J. M. (I. C. Paterson), London
Irons, G. M. (R. C. Gilbert), London
Isherwood, D. B. (G. A. Box), Blackpool

Jackson, F. E. H. (W. F. C. Marwood), London
Jacques, I. (E. Smith), Blackburn
James, A. R. (E. H. Price), London
James, C. P. (J. F. S. Rogers), London
James, D. M. (G. L. Aspell), Leicester
James, J. H. L. (L. R. Trill), London
James, J. L. (F. G. B. Leyshon), Merthyr Tydfil
James, K. D. (R. F. Harding), Brighton
Jameson, F. (A. C. Gostling), Bolton
Janssens, P. A. (D. O. Johnston), London
Jeffery, C. M. (J. H. Wood), Bishop Auckland
Jessop, J. W. (G. L. Kitchen), Keighley
Johnson, M. A. R. (J. K. Patrick), Sheffield
Johnson, P. R. (W. C. Bolton), Manchester
Johnston, B. C. (H. R. Cadman), Birmingham
Johnston, D. B. M. (formerly with A. J. Johnston, deceased), Liverpool
Jones, D. G. (A. J. Leach), Hereford
Jones, D. M. (C. H. March), Cardiff
Jones, H. C. (G. M. Richards), London
Jones, N. S. (W. G. C. Oliver), Burton-on-Trent
Jones, R. E. (D. F. Gay), London
Jones, S. B. (G. Ford), Bournemouth
Jordan, C. J. (G. H. B. Cox), Burton-on-Trent

Kanesalingam, S. (K. V. C. Ridley), London
Kelk, G. H. (J. Rowan), Sheffield
Kelley, G. (C. Boase), Liverpool

* See also Certificate of Merit above.

Kemp, B. W. (A. W. Pate), Birmingham
Kemp, D. A. (R. E. Hawkes), London
Kemp, S. G. (R. J. Butterworth), London
Kemp, T. R. W. (D. J. Dempster), Llanelly
Kennedy, M. J. (S. Hague), Liverpool
Khan, M. F. (H. P. Allsop), Birmingham
Khan, R. A. (G. Finlay), London
Kibblewhite, D. A. (J. W. Bell), London
Kidd, M. H. (W. B. Cullen), London
Kingdon, S. L. (E. E. Sander), London
Kinney, M. (C. R. P. Goodwin), Brighton
Kirkup, M. J. (M. S. Moon), Liverpool
Kirwan, E. O. (L. McGillivray), London
Kitsberg, B. (C. R. Atkinson), London
Knowles, J. E. (K. R. Colman), London
Kong, R. S. H. (A. A. B. Yeatman), London
Kyimyint, L. (M. G. Miles), London
Kyle, P. J. (C. J. Robinson), London

Lacey, M. R. (H. B. Bradfield), Nottingham
Lancey, R. K. (E. C. Lancey), Worcester
Lambe, B. A. (D. W. Carlisle), London
Lambley, J. R. N. (H. W. Bonnello), Nottingham
Lane, R. S. N. (H. Appleby), Newcastle upon Tyne
Langtree, A. (R. Holden), Blackburn
Lascelles, J. F. (K. G. M. Harding), Liverpool
Lawrance, M. R. (A. Pennington), London
Lawry, R. V. (E. T. Worsley), Birmingham
Layzell, T. R. (C. H. I. Chown), Ilford
Leadbeater, C. C. D. (B. Braham), London
Lee, C. A. (N. H. Davis), London
Lee, C. V. L. (C. I. Vernon), Crewe
Leigh, T. R. (F. S. Wills), Lewes
Leishman, J. C. (F. Moffat), Falkirk
Lennard, G. (E. C. Mallett), Hull
Leon, F. S. (A. Clarke), Manchester
Lester, D. F. (D. G. Turner), London
Lett, K. R. (A. R. Mason), Birmingham
Leverton, R. F. (E. F. Wilkins), London
Levitt, P. D. (S. M. Duncan), London
Lewis, D. H. (K. D. Wickenden), Coventry
Lewis, J. C. (F. A. J. Couldery), Brighton
Lewis, J. T. (G. L. Wiener), London
Lewis, M. L. (M. R. Nathan), London
Lillis, M. R. (R. O. N. Ward), Birmingham
Lindley, P. D. (N. N. Sassienie), London
Lindsey, C. J. N. (F. E. Corbin), London
Lipscomb, E. P. (G. L. C. Touche), London
Lisle, R. G. (C. L. Davies), Leeds
Llowarch, M. E. (R. R. Davis), London
Lloyd, R. D. (R. Van Baars), London
Lo, N.-C. (M. Benjamin), London
Locke, P. C. (R. L. Jones), London
Lombard, W. (E. C. Howie), Newcastle upon Tyne
Longman, J. H. H. (C. R. P. Goodwin), Brighton
Lowthian, J. B. (J. W. Parker), Penrith
Lucas, B. J. (A. Darvill), London
Lumby, W. H. D. (G. G. Lee), Liverpool
Lutfi, M. I. (H. G. P. Greenwood), London
Lyman, M. L. (J. Hillier), Luton

McAdam, D. A. L. (F. C. Hoyle), Manchester
Macario, M. A. (C. H. S. Lewis), London
Macaulay, G. F. (J. A. Colvin), Liverpool
McCale, D. B. (A. H. Pickavance), St Helens
MacDonald, I. (D. T. H. Nicholson), London
McDonald, P. (B. Burgon), Manchester
McFarland, R. G. (K. W. Clarke), Reading
Mackay, D. B. (A. C. Falkner), London
Mackenzie, R., London
McQue, J. E. (formerly with B. Baddiel, deceased), Swansea
Maddock, P. J. (E. T. Thurlow), Guildford
Maher, P. J. (D. L. Chaplin), Manchester
Mainwaring, J. D. (A. P. L. James), Chepstow
Makins, M. J. (V. F. Berry), London
Malik, K. H. (S. Gainsley), London
Malkinson, J. L. (formerly with G. F. Saunders, deceased), Liverpool
Mallinson, A. J. (R. J. Eagle), London
Manning, B. J. (D. R. P. Foot), London
Mapus-Smith, J. (S. A. Mapus-Smith), King's Lynn
Marris, A. H. (E. T. Worsley), Birmingham
Martindale, D. (R. S. Gordon), Manchester
Mascarenhas, P. A. R. (C. F. Earnshaw), Nantwich
Maslin, J. R. W. (G. W. Harrison), Wolverhampton
Mathews, R. G. (H. F. Mathews), London
Matthews, K. H. (C. H. Maggs), Bristol
Mattison, J. T. (H. G. Ayres), London
Maxwell, G. A. (K. G. M. Harding), Liverpool
Maxwell, G. A. (Miss), (B. J. Ketchlee), London
Maxwell-Walton, J. D. (N. F. Trayler), Bognor Regis
Mayes, D. A. (W. J. Lawrence), Basingstoke
Mbanefo, A. C. I. (R. B. M. Knight), Brighton
Mear, D. R. (P. Parr-Head), London
Mehta, C. D. (R. W. C. Dunn), Birmingham
Mewis, D. G. (B. F. Jukes), Hastings
Mian, Q. (E. S. Smith), London
Middle, J. R. (D. S. Bullas), Stourbridge
Middleton, C. J. (H. Price), Eastbourne
Middleton, D. M. (J. R. Heslop), Newcastle upon Tyne
Miles, M. J. (A. H. Cruikshank), Andover
Millard, J. E. (C. J. Smith), Cirencester
Miller, T. J. (A. M. Walker), London
Mills, K. C. (C. H. Duff), London
Milne, R. B. (S. Morris), Reading
Milnes, D. S. (C. E. Copley), Rotherham
Mitchell, E. A. (R. N. Russell), Birchington
Mitchell, G. D. (F. Battersby), Manchester
Mitchell, V. J. (R. D. Curtis), London
Modi, P. J. (B. Friend), London
Moffat, B. S. (J. R. N. Travis), Manchester
Moody, P. B. (E. D. McMillan), London
Moos, R. F. (F. E. Rowland), London
Moriarty, E. T. (T. Finch), Blackburn
Morris, J. S. (R. S. Fryer), London
Mottram, D. F. (S. W. Seaton), Sheffield
Mountain, G. T., Driffield
Muir, B. J. (J. Brown), London
Munday, J. (W. Scwman), Leicester
Munir, M. (H. J. Townsend), London
Munson, A. R. (G. H. Stevenson), London

Nahoum, I. E., London
Nash, H. (M. W. Burns), London
Nat Thondan, A. (R. M. Finlayson), London
Needham, M. E. (T. C. Squance), Sunderland
Nesbitt, R. A. E. (G. F. Ansell), London
Nesham, D. J. (J. W. Berriman), Middlesbrough
New, T. A., Liverpool
Newboult, J. M. S. (W. E. C. Offer), Oxford
Newman, H. G. (formerly with H. V. Barham, deceased), London
Newman, L. H. (D. H. Rooke), London
Newton, A. T. (R. J. Glissan), Birmingham
Neylon, D. (J. Eaves), Manchester
Niblett, M. A. (F. C. Smailes), Bristol
Nicholas, T. L. (H. A. Beale), London
Nobbs, J. L. (G. S. Elliott), Godalming
Noble, C. H. (A. F. J. Kearns), Manchester
Norman, R. (N. H. Barnes), London
Nutland, J. H. (R. H. Draper), London

Oades, G. (C. R. Townend), Goole
Ogden, J. E. (S. T. Maxwell), Preston
Oldfield, E. (F. W. Bailey), Leeds
Olumide, O. (J. M. Davis), Canterbury
O'Meara, R. B. (J. B. Story), Nairobi
Orr, R. M. (A. A. Davies), Birmingham
Osborne, J. B. (A. C. Croft), Hull
Owen, H. C. (J. Toner), Liverpool
Owen, J. H. T. (J. G. Raymond), Chester

Page, E. H. (J. Page), Liverpool
Pain, C. E. (L. Whitaker), Canterbury
Paramsothy, S. A. (G. M. Maurice), London
Pardey, D. A. (L. A. Pardey), Wigan
Parfitt, M. P. (C. Chipchase), Middlesbrough
Parker, G. (S. V. Austin), London
Parlane, A. J. (A. J. Wilson), London
Paterson, J. M. (R. R. Dewing), Norwich
Pavri, F. N. (J. D. Russell), London
Payne, D. (T. D. B. Shaddick), Redditch
Peach, K. (A. N. Mills), Matlock
Pearce, J. (G. Talfourd-Cook), Reading
Pearson, G. T. (L. J. Ive), London
Pendrill, R. W. (E. Humphrey), London
*Penney, M. O. (H. W. C. Airey), London
Penrose, A. J. (W. Pomfret), Preston
Perkins, G. (P. R. N. Stewart), Nottingham
Perry, J. P. L. (W. Saxelby), London

* See also Certificate of Merit above.

Peters, L. (M. H. Leighton), London
Pickard, J. C. (H. R. Tebb), Leeds
Pinder, J. (R. V. Garton), Huddersfield
Pizzey, J. H. (J. S. H. Vine), London
Potter, K. S. (S. Potter), Great Yarmouth
Powis, P. L. (R. W. Smith), Maidstone
Pratt, G. B. (J. C. Littlejohns), London
Prescott, P. J. (Miss), (C. W. Callow), Preston
Price, C. H. (E. C. Meade), London
Price, L. R. J. (J. D. Simpson), Cardiff
Pringle, E. W. (H. Keate), Manchester
Prior, H. P. G. (L. W. Robson), London
Provan, D. (S. J. E. Truman), London
Prusmann, D. F. (G. Hey), Manchester
Pumphrey, J. R. (R. M. Swinbank), Stockton
Pybus, R. H. (C. Gildon), Middlesbrough

Radford, R. J. M. (J. H. Wilson), London
Rafe, N. B. (J. P. Stephens), London
Raffray, A. R. G. (R. A. Masters), London
Rahman, M. (G. Fox), London
Rawstron, R. F. (A. Watson), Burnley
Reading, M. R. (H. B. Cookson), Birmingham
Reaves, K. D. (F. H. Parkinson), Coventry
Redington, J. W. (A. H. B. Wood), London
Reeder, P. Y. (Miss), (M. Fox), London
Reid, J. L. (F. G. Nicholas), Stoke-on-Trent
Reynolds, M. S. (C. H. Croft), London
Rhoades, L. M. (J. Reynolds), Hull
Richards, I. D. (C. H. King), London
Richardson, C. M. (Miss), (G. E. M. Dodsworth), York
Richardson, J. E. (R. F. E. Pelham), London
Richardson, R. (B. A. Schanschieff), Northampton
Richmond, G. S. (D. O. Johnston), London
Ricketts, E. S. (S. Brief), London
Ridehalgh, D. J. (F. W. Lythgoe), Liverpool
Ridge, A. M. (R. Mallabar), London
Ridley, W. P. (B. M. Till), London
Roads, R. W. S. (H. A. Beeny), Bognor Regis
Roberts, E. W. (A. D. Saward), London
Roberts, W. H. (F. W. Doleman), Leicester
Robinson, A. (W. F. Masters), London
Robinson, A. J. (A. R. King-Farlow), London
Robinson, M. A. (C. E. Garratt), Birmingham
Robinson, P. M. W. (A. A. Moller), London
Robson, A. (F. H. Duckett), Leeds
Rockall, D. J., Northampton
Roe, J. D. (L. B. Gardner), Dudley
Rogers, D. M. (J. D. Green), London
Rogers, P. E. (G. C. Peat), London
Rollins, T. E. (W. P. Scowcroft), Liverpool
Rose, G. W. (K. W. G. Webb), London
Rowe-Ham, D. K. (H. B. Cookson), Birmingham
Roxburgh, M. W. (K. D. Wickenden), Coventry
Roy, N. C. (P. G. H. Evans), London
Ruffy, M. J. (L. H. F. Pinhorn), London
Rugg, B. (A. Bell), Newcastle upon Tyne
Rule, A. (D. K. Gourlay), Liverpool
Ruscoe, D. M. (P. G. Gadd), Colwyn Bay
Rushforth, D. A. (W. A. Rawlinson), Bradford
Rushton, R. A. (W. A. Dodd), Manchester
Russell, C. G. (H. D. Milroy), Southend-on-Sea
Russell, D. J. (A. B. Lucas), London
Russell, M. J. (G. G. Rhodes), London
Ryan, K. J. (K. A. Buxton), Nottingham
Ryder, A. C. (S. W. Percival), London

Sanger-Davies, M. J. (D. J. Hedges), Banbury
Sardana, V. M. (R. J. Holbrook), London
Sargent, C. J. R. (M. C. Stothert), Bournemouth
Saunders, K. H. A. (R. B. T. Castle), London
Scarisbrick, D. T. (D. G. Turner), London
Schreiber, C. (J. H. Schotness), London
Scott-Brown, R. C. (G. P. Stevens), London
Sealey, J. M. (R. O. Garwood), Birmingham
Secker, A. (H. Goodier), London
Seed, J. K. (W. F. Palmour), Preston
Semark, R. E. (D. L. Forbes), London
Sercombe, J. (A. Seddon), Derby
Shaw, P. W. (E. M. Butterworth), Derby
Shepherd, J. K. (G. B. Mairs), Nottingham
Sherring, P. J., London
Shiatis, M. A. (C. E. B. Young), London
Shulman, N. L. (E. A. Charles), London
Silver, R. J. (F. N. Gollop), London
Simmonds, A. M. T. (S. Brief), London
Simpkin, D. A. (K. V. Moss), Loughborough
Simpson, A. R. (T. M. Carmichael), London
Simpson, T. C. F. (L. Parker), London
Sinclair, A. (P. Sober), London
Sircar, K. (N. N. Pampel), London
Sitaram, G. (R. A. Masters), London
Sitaram, N. (B. Manners), London
Skan, T. (J. A. Baker), Bournemouth
Skeet, D. C. (F. L. Woolley), Southampton
Slomovic, C. (M. Bier), London
Smith, G. A. P. (A. Birch), London
Smith, J. A. (G. P. Shepherd), London
Smith, J. E. (K. S. Holman), London
Smith, J. V. (L. A. Pardey), Wigan
Smith, M. J., London
Smith, P. H. (C. J. C. Tildesley), Wolverhampton
Smith, R. J. (J. C. Smethers), London
Smith, R. J. (J. H. Hill), Plymouth
Smith, T. D. (R. Mackie), Wolverhampton
Smith, T. E. (S. Roden), Birmingham
Smith, T. M. (E. Sheard), Huddersfield
Smithers, B. J. (H. B. C. Sandford), Tunbridge Wells
Snape, K. (J. N. Struthers), Manchester
Soloman, R. S. C. (J. A. B. Jones), Swansea
Spier, R. F. J. (P. R. Dallow), Birmingham
Spratley, D. J. (J. O. Attlee), Dorking
Sprunt, E. (E. R. Nicholson), London
Stables, J. C. (Miss), (V. A. S. Goddard), London
Stainton, I. L. (J. C. Boyce), Bradford
Stanton, L. H. (L. R. Elcombe), London
Steggall, B. O. T. (K. R. Cork), London
Stephenson, P., Hull
Stokes, A. C. (M. A. Brown), Bath
Stone, H. W. B. (H. L. Simpson), Huddersfield
Stott, D. (H. C. Watson), Barnard Castle
Stout, C. (A. J. R. Slaney), Worksop
Stubbs, D. G. (J. F. Tyson), Morecambe
Sturge, M. G. (D. G. Richards), London
Styburski, G. F. (D. Lewis), London
Sullinge, R. H. (E. C. B. Price), Stroud
Sullivan, T. F. (E. L. Phillips), London
Sultan, S. M. I. (P. D. Levinson), Manchester
Summerfield, R. T. (L. V. Slater), Cambridge
Summers, R. M. (M. Escow), London
Sutcliffe, M. (E. C. Smith), Halifax
Sutton, K. (D. T. Veale), Leeds
Swarc, A. (J. Civval), London

Tait, J. D. (J. C. M. Williams), Swansea
Tame, J. T. (F. P. Wilson), Manchester
Tate, M. S. (A. C. McDonald), Surbiton
Taylor, B. E. (Miss), (G. C. Sagar), Leeds
Taylor, C. G. (E. J. Roff), London
Taylor, D. (J. R. H. Godkin), Loughborough
Temple, A. D. (E. V. G. Allcoat), Wisbech
Tetley, B. (J. W. G. Mitchell), Bradford
Thom, D. (W. A. Clubb), Cardiff
Thomas, D. A. (A. Rouse), Manchester
Thomas, R. A. (W. A. Chapman), London
Thornber, A. F. (D. C. Smith), Burnley
Tickler, N. D. W. (K. P. Helm), Hull
Toll, J. E. (H. P. Green), London
Torond, J. L. (C. J. Maples), London
Torr, D. A. (R. Beevers), Walsall
Treen, R. J. (P. W. Beale), Brighton
Trethewey, L. L. A. (S. B. Benbow), Birmingham
Trevelyan, E. C. T. (T. C. Capey), Newcastle upon Tyne
Tribe, R. J. (J. D. George), London
Trimby, D. G. (A. F. B. Ham), Bristol
Tucker, D. A. (J. Birkett), Bristol
Tucker, D. L. (C. W. Wildy), London
Tucker, F. J. (W. F. Curtis). Exeter
Tudball, I. G. (E. H. Price), London
Turnbull, D. K. (J. H. Turnbull), Leeds
Turner, D. D. (J. F. Parrott), London
Turner, D. T. (W. E. Beddington), Derby
Turner, E. M. (D. J. Martin), London
Turner, J. C. (S. H. Sharp), London
Turner, P. V. (K. G. M. Harding), Liverpool
Twigg, T. J. (E. E. Boyles), London

Usher, S. (G. Goodall), York

Valentine, J. H. (F. Schofield), Oldham

* See also Certificate of Merit above.

Van Spall, O. A. (K. A. Jones), London
Vaux, P. (W. Lambert), Keighley
Vear, H. A. J. (J. E. R. Vellacott), London
Vijayaratnam, K. (M. Bennett), London
Vithlani, A. K. (F. Yarwood), Horley

Wagstaff, A. B. (B. A. S. Soole), London
Wain, J. A. (J. A. S. Allen), Paignton
Wakefield, D. J. (C. T. Plant), Derby
Walker, A. J. (G. L. Fox), London
Walker, G. R. (F. S. Perryman), West Hartlepool
Waller, C. L. (D. Garrett), London
Walls, J. A. (P. H. Jackson), London
Warburton, I. G. (formerly with C. D. Britten, deceased), Manchester
Ware, F. J. (L. W. Robson), London
Warren, P. C. F. (W. E. Carnelley), London
Warwick James, N. R. (H. W. Norman), London
Waterfield, K. M. (W. H. Land), London
Webb, G. T. (W. C. Jeffs), Leicester
Webb, R. A. (E. R. Thompson), Manchester
Wesson, M. R. (J. T. Patterson), London
West, B. (J. O. Faulkner), Swindon
West, M. G. (T. N. Booth), Bury
Westcott, C. L. (D. E. Dancer), London
Westcott, D. J. (F. J. Smith), London
Westhead, J. S. (W. Hare), Blackburn
Whale, B. J. (W. J. L. Clarke), London
White, C. R. (W. H. P. Campbell), London
White, J. W. E. (R. H. Passmore), Torquay
*White, R. J. G. (A. K. Fison), London
White, R. M. (J. F. Warren), London
Whitehead, L. S. (C. B. Hardcastle), Northwood
Whittaker, M. J. (C. L. O'Callaghan), Nottingham
Whittenbury, J. R. (W. B. Henderson), London
Wigglesworth, A. (T. E. Pickles), Selby
Wignall, N. O. (P. J. Fogden), London
Wild, J. D. (E. H. King), Birmingham
Wilkinson, B. E. (F. Downing), Sheffield
Wilkinson, E. (F. Binns), Huddersfield
Wilkinson, H. R. (Sir William Carrington), London
Wilkinson, J. R. (H. Wilkinson), Barnsley
Wilkinson, R. (J. L. Wood), Burnley
Willats, A. (S. J. Baker), London
Williams, D. R. (S. R. Woodgett), Stoke-on-Trent
Williams, R. J. (F. W. Guest), Birmingham
Williams, T. D. (L. R. Binns), London
Wilson, D. (B. H. Hawkins), Liverpool
Wilson, E. R. (A. E. Willmoth), Preston
Windas, G. R. H. (E. G. Chadwick), Hull
Windows, J. B. (H. J. H. Sisson), Newcastle upon Tyne
Winstanley, G. A. (J. Fairhurst), Wigan
Wiseley, J. C. (J. C. Luckin), Chelmsford
Witherington, P. J. (H. J. Anderson), Birmingham
Woda, D. (D. E. Hope), London
Wood, E. I. (A. F. Pownall), Liverpool
Wood, H. G. (C. H. W. Powell), London
Wood, K. D. (B. Wood), Bradford
Wood, M. A. (A. G. Arnfield), Manchester
Wood, M. J. (S. J. Chaytor), Liverpool
Woolf, E. H. (L. Irvine), London
Worger, P. D. (J. L. Simpson), Bradford
Wright, D. C. (A. M. Hendry), London
Wright, J. MacD. (C. A. Brisley), London
Wright, J. R. T. (F. W. Knowles), Cleveleys
Wright, M. D. (D. H. Rooke), London
Wright, M. J. (M. W. Burrough), Bridport

Yates, R. B. (K. J. D'A. Mason), Birmingham
Yelland, J. A. (L. C. G. Dauncey), Worcester
Young, M. C. (R. W. Cox), Nottingham
Young, P. D. (S. H. C. Wade), Stafford

Zain, M. (B. J. Rainey), London
Zanker, F. W. A. (I. P. Gill), Barnoldswick

813 Candidates passed ***883 Candidates failed***

* See also Certificate of Merit above.

INTERMEDIATE EXAMINATION

Held on November 21st, 22nd and 23rd, 1961

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute Prize and the Stephens Prize
Maas, Robert William (F. C. Parslow), London

Second Certificate of Merit and the Tom Walton Prize
Collins, Christopher Douglas (J. P. Grenside), London

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize (shared with one other)
Bush, Frederick William (M. D. Carr), London

Third Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize (shared with one other)
Jayson, Raymond Victor (R. G. Leach), London

Fifth Certificate of Merit
Blacklidge, David (J. E. Spoors), Newcastle upon Tyne

Sixth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)
Bushell, John Hudson (S. J. D. Corsan), London

Seventh Certificate of Merit
Whitbread, Neville Anthony Leonard (R. Kettle), London

Eighth Certificate of Merit, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Executorship)
Hobbs, David Richardson (J. L. Wilson), Leeds

Ninth Certificate of Merit
Masidlover, Mark Dennis (J. Auerbach), London

Ninth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)
Snow, Kenneth Charles (G. M. Dowrick), Colchester

Eleventh Certificate of Merit
Walker, Janet May (T. K. Venter), Goole

Twelfth Certificate of Merit
Buxton, Ivor Robert (C. E. B. Thompson), Ipswich

Thirteenth Certificate of Merit
Haworth, Leslie William (G. A. Gould), Birkenhead
McNeil, Ian Malcolm James (J. G. W. Cuthbert), London
Morris, Jeremy Richard (J. K. Black), London

Sixteenth Certificate of Merit
Booth, Derek Malcolm (J. H. Wilkinson), Manchester
Sykes, Keith Anthony Mallalieu (E. P. D. Taylor), Liverpool

Eighteenth Certificate of Merit
Carter, Roger Michael George (S. V. Turner), Manchester

Nineteenth Certificate of Merit
Graham, William Reed (W. N. Kilgour), Carlisle

Twentieth Certificate of Merit
Evans, Roger Lewis (F. Pragnell), Nottingham
Hoggarth, Alan (G. H. Pratt), Workington

Twenty-second Certificate of Merit
Phillips, John Minter (M. R. Harris), London

Twenty-third Certificate of Merit
Guinness, Geoffrey Neil (H. G. P. Greenwood), London

Twenty-fourth Certificate of Merit
Moberly, William James Dorward (W. R. Tomkinson), London

Twenty-fifth Certificate of Merit
Wrayford, Daniel Gilbert (F. Nankivell), Newton Abbot

Twenty-sixth Certificate of Merit and the Plender Prize for the paper on General Commercial Knowledge
Freeman, Alan Henry (H. Tonge), Oxford

Twenty-sixth Certificate of Merit
Bose, Sukhamoy (R. A. Daniel), London
Elsey, Keith Anthony Lambert (R. P. Spanton), Bury St Edmunds
Mistry, Dara Rustomji (V. C. Baker), London
Walker, Keith Alan (A. C. Bright), Guildford

Thirty-first Certificate of Merit
Chowdhury, Anisuz Zaman (A. A. Cooper), London

Thirty-second Certificate of Merit
Davis, Roger William (J. B. Butterworth), Bridgwater
Watson, Jeffery Paul (A. W. C. Lyddon), Plymouth

Thirty-fourth Certificate of Merit
Baker, Robin Dudley (J. P. Davey), Ipswich
Kheraj, Nizarali Hussein Alarkhia (D. Jacobs), London

Full List of Names of Successful Candidates

(In alphabetical order)

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Acloque, G. (A. Beatton), London
Adams, F. A. (H. W. Bradbury), Birmingham
Afzal, M. (E. M. Beecham), London
Ahmad, M. (R. J. Meek), London
Aiken, P. R. (H. Berridge), Hull
Ainley, J. S. (E. Manby), London
Ainsworth, R. C. (A. E. M. Harbottle), Bristol
Aitchison, C. U. (F. J. Smith), London
Aldred, I. A. (R. W. Ewan), London
Alers-Hankey, A. R. (J. W. Williams), London
Alers-Hankey, I. R. (S. V. P. Cornwell), Bristol
Ali, I. (D. Jacobs), London
Allan, C. J. (A. Jolly), Hove
Allen, F. R. (C. E. Neville), London
Allen, J. P. (H. J. Bates), Derby
Ambler, T. F. J. (F. B. Proctor), London
Ames, C. B. (D. M. Parkes), Bristol
Anderson, D. J. (A. E. B. Foxwell), Kettering
Anderson, I. W. (W. Anderson), Liverpool
Anderson, R. G. S. (R. W. C. Dunn), Birmingham
Andrew, J. (W. B. Whipp), Manchester
Andrews, F. S. (A. J. Cooke), London
Armitage, C. E. M. (D. Armitage), Leeds
Armitage, R. S. (S. Hirst), Huddersfield
Arnold, L. K. (C. Goss), London
Arrand, N. (J. C. Fields), Doncaster
Ashraf, M. (H. H. Brodie), London
Ashton, C. G. (W. E. Emms), London
Ashton, J. N. (J. K. Ashton), Chorley
Aston, A. P. C. (R. A. Folland), Birmingham
Atkins, B. (J. S. Sayer), Birmingham
Atkins, P. C. (P. J. Garland), Birmingham
Atkinson, J. S. (W. Dargue), Leeds
Atkinson, R. K. (E. Smith), Blackburn
Ayre, J. V. (N. R. Mann), London
Ayton, R. H. D. (G. H. Yarnell), Brighton

Bagnall, D. L. (F. N. Griffith), Kendal
Bagnall, J. L. (K. C. R. Trafford), Oxford
Bailes, A. G. (R. W. Thoburn), Newcastle upon Tyne
Bailey, J. F. (B. Lister), Doncaster
Bailey, M. J. (D. H. Burton), Wolverhampton
Baker, A. R. (M. H. C. Smith), London
Baker, B. A. (H. S. Gill), Weymouth
Baker, C. (C. E. Corney), Birmingham
Baker, J. S. (J. D. Ayrton), Halifax
Baker, P. N. (H. A. Snell), Bristol
*Baker, R. D. (J. P. Davey), Ipswich
Bakrania, R. K. B. (P. Mitchell), London
Baldacchino, C. V. L. (H. G. Pulsford), Poole
Baltaian, B. (F. M. Kellett), Newcastle upon Tyne
Banks, D. (H. V. Bamford), Bradford
Banks, G. A. J. (H. O. Johnson), Bath
Barker, A. D. (B. R. Cahill), Leeds
Barling, P. G. B. (R. Fawcett), London
Barlow, C. H. (D. C. Burling), London
Barlow, M. E. (Miss), (P. G. Grant), Sleaford
Barnett, A. J. (C. W. McCormack), London
Barraclough, K. C. (G. A. Bell), Manchester
Barrett, F. X. (V. F. Berry), London
Barrett, T. (H. Myers), Newcastle upon Tyne
Basir, A. M. B. M. (R. M. Backhouse), London
Basten, L. T. A. (P. S. Tanswell), Twickenham
Bates, E. A. (Sir Thomas Robson), London
Bates, R. A. (C. N. Smellie), London
Baugh, P. A. (C. E. Van Den Bergh), London
Bays, J. N. (G. Carew-Jones), London
Bedford, A. (A. Shackleton), Bradford
Bedworth, W. D. (J. H. Moore), Barnstaple
Beedles, J. (J. D. French), Liverpool
Beeley, P. M. (H. Barnett), Mansfield
Beenham, C. G. (J. K. Macrae), London
Bees, T. H. (G. F. Ansell), London
Behnam, S. (J. F. Shearer), London
Bell, R. W. (J. A. Nicholson), London
Bellwood, J. N. (Sir Harold Howitt), London
Belton, F. E. (D. B. D'Eath), London
Bennett, G. F. (J. B. Ellis), Buxton
Bennett, L. P. H. (T. J. L. Milner), London
Bennett, R. T. H. (J. A. Jones), London
Beverton, J. D. (H. R. C. White), Folkestone
Bhana, I. O. (I. Bellman), London
Bhattacharya, S. (J. R. N. Travis), Manchester
Birch, N. M. (B. Nagley), Liverpool
Blackburn, D. (C. F. Hughes), Walsall
*Blacklidge, D. (J. E. Spoors), Newcastle upon Tyne

* See also Certificate of Merit above.

Blackwell, D. N. (G. D. Cucksey), London
Blair, R. G. (J. M. Hanmer), Liverpool
Blanchard, P. V. (P. W. Lane), Enfield
Blennerhassett, S. M. (F. R. Stray), London
Bloomstein, A. (J. Altman), London
Boas, J. R. S. (M. R. Harris), London
Boddy, J. (D. M. Jones), Hull
Boden, C. W. (W. S. Green), Stoke-on-Trent
Bogush, A. H. (R. Casey), London
Bolton, A. M. (R. H. More), London
Bolton, D. E. (H. C. Mounsey), Liverpool
*Booth, D. M. (J. H. Wilkinson), Manchester
Bordoley, M. (E. N. Goodman), London
*Bose, S. (R. A. Daniel), London
Boulton, M. J. (C. H. Kershaw), Sheffield
Bowerman, D. W. (T. S. Milburn), North Shields
Bowers, J. A. T. (N. R. Mann), London
Bown, N. N. (A. S. Watson), Southampton
Boyd, A. (J. Barrett), Leeds
Boyd Martin, T. R. E. (G. W. D. Bennett), Birmingham
Boyde, G. C. (A. Hill), Douglas
Bradford, T. C. (W. G. J. Sales), London
Bradley, A. L. (W. G. Sporle), Manchester
Bradley, J. N. (J. F. Kinnersley), Bristol
Bradley, R. (J. T. Hibbs), Lincoln
Bradshaw, J. R. (D. A. Boothman), Manchester
Bramwell, C. (J. W. Berriman), Middlesbrough
Brenchley, W. R. (H. M. Withers), Hastings
Brickell, C. W. (W. J. Wadley), Malvern
Brighouse, D. W. (J. Fairhurst), Wigan
Brilliant, V. E. (D. S. Morpeth), London
Brindley, P. H. (D. H. Salmon), Coventry
Brinham, E. (L. V. Russell), London
Broadbent, N. W. (D. Armitage), Leeds
Bromley-Davenport, W. A. (J. C. Burgess), Manchester
Brooks, D. (G. E. Skaith), Grimsby
Brown, A. S. E. (C. Inkpen), Grimsby
Brown, D. (E. Catherall), Chester
Brown, P. (J. N. Bullivant), Manchester
Brumwell, R. J. (A. F. R. Payne), Stroud
Buck, I. D. G. (G. F. Pepper), Nottingham
Buckley, W. H. (J. M. Harrison), Liverpool
Burge, O. A. (S. W. C. Sprunt), London
Burge, R. A. (J. J. Webber), Minehead
Burgin, K. R. (D. V. Hinkley), London
Burke, H. M. (D. Clayton), London
Burles, V. (T. Ashton), Nottingham
Burns, R. (G. R. Hargreaves), Chester
Burrows, R. K. (F. G. Ashton), Leicester
Burton, C. P. (G. T. Edgington), Oxford
Burton, J. E. (Miss), (R. H. Langdon-Davies), Reading
Bury, D. G. (E. S. Jepson), Darwen
Busby, C. R. (H. M. Sayers), London
*Bush, F. W. (M. D. Carr), London
*Bushell, J. H. (S. J. D. Corsan), London
Bushell, R. R. S. (J. C. Lees), Birmingham
Butcher, A. E. W. H. (F. H. Turner), Lincoln
Butler, P. W. J. (H. O. Barnsley), London
Butterworth, N. (D. N. Rosling), Huddersfield
*Buxton, I. R. (C. E. B. Thompson), Ipswich
Buxton, W. D. (J. S. Ellison), Liverpool

Cade, R. J. (W. R. Pugsley), London
Calverley, D. M. (F. W. English), London
Carey, C. de L. (E. T. Thurlow), Guildford
Carline, R. (R. L. Patchett), Scunthorpe
Carling, C. W. (F. G. Rollason), London
Carlyle, N. S. (A. V. Flather), Bradford
Carter, G. M. C. (J. M. Page), Norwich
*Carter, R. M. G. (S. V. Turner), Manchester
Cashman, J. E. J. (R. S. Towler), Leigh
Catt, C. R. (R. Fawcett), London
Catto, A. W. G. (J. T. Corbett), London
Caulfield, E. C. (D. J. Latham), Leigh
Cave, C. F. (W. E. Moore), Sheffield
Cave, R. J. (J. M. Keeping), Dorchester
Cerner, R. S. N. (A. A. Nyfield), London
Chang, T. G. (H. C. Medlam), London
Chant, P. J. (A. E. H. Bénard), London
Chapman, B. M. (Miss), (H. F. Ware), London
Chaudhry, Z.-U.-H. (P. E. Bower), Manchester
Cheetham, B. (G. M. Bickerton), Manchester
Chhabra, K. C. (S. Winograd), London
Chisnall, D. C. (J. M. Harrison), Liverpool
Chow, S. H. (G. M. Maurice), London
*Chowdhury, A. Z. (A. A. Cooper), London
Chowdhury, G. U. (C. M. Luck-Hille), London
Christopher, R. G. (D. H. Kirk), London
Clark, A. F. B. (C. G. Johnston), London
Clark, A. G. (J. K. Patrick), Sheffield
Clark, A. J. (A. E. S. H. Walter), Leicester
Clark, G. D. (H. W. Bramley), London
Clark, R. N. E. (K. A. Buxton), Nottingham
Clarke, B. (A. K. Walton), Bradford
Clarkson, B. (A. F. Sergeant), Leeds
Claxton, B. L. (I. A. Wallace), Brighton
Clayton, M. R. (L. A. Pollard), Bournemouth
Clough, D. C. (J. Hacking), Lancaster
Clucas, J. C. (A. J. Hack), Liverpool
Coffin, C. J. (T. B. Blackburn), London
Cofie, A. Q.-A. (K. Jackson), Harrow
Coleman, D. A. (C. W. Allan), Bradford
Colley, B. W. (A. A. Bradshaw), Cranleigh
*Collins, C. D. (J. P. Grenside), London
Collins, P. (R. W. Swinbank), Stockton-on-Tees
Colliss, J. D. (S. J. Baker), London
Connor, N. (F. G. Rollason), London
Cooling, M. B. (M. J. H. Morton), Grimsby
Coombes, J. (G. C. Peat), London
Cooper, J. W. (D. Duckett), Leeds
Cooper, R. (H. Bach), London
Cope, J. (L. C. Bye), Middlesbrough
Corke, C. E. T. (P. C. Harrison), London
Corry, S. D. (T. H. Latham), Wigan
Costin, R. A. S. (F. J. B. Gardner), London
Coulson, R. J. (J. P. Stephens), London
Cousins, H. L. (L. H. Norman), London
Cowe, P. (P. M. T. Jackson), Stockton-on-Tees
Craig, D. C. (E. Painter), London
Crawford, I. (C. L. Davies), Leeds
Crawley, J. A. (E. O. Frank), London
Crofts, R. J. (M. B. Hewitt), Leeds
Crompton, P. J. (A. G. Lee), Brighton
Cunningham, P. A. (W. E. Fordham), London
Curran, A. (G. A. Shipton), Bristol
Curry, W. M. (D. J. Gulliford), Ryde
Curwin, R. N. (C. C. Living), London

Darvill, D. M. (F. Barter), Southsea
Davies, D. J. (J. Bromley), Southampton
Davies, H. J. (W. T. R. Masterson), London
Davies, J. G. M. (H. W. Thomas), Swansea
Davies, M. R. (G. Ross), Cardiff
Davis, C. P. (J. T. Corbett), London
Davis, R. S. (V. Allison), Halifax
*Davis, R. W. (J. B. Butterworth), Bridgwater
Dawson, J. D. (H. U. Clayton), Manchester
Dearden, L. A. (E. Bentley), Dewsbury
De Barros, M. A. R. (H. Jacobs), London
Denny, B. J. (T. A. Macfarlane), Liverpool
Desai, S. K. (T. C. Middleton), Newcastle upon Tyne
Dhir, R. K. (J. Berks), London
Dissanayake, B. K. D. (A. W. Toze), London
Dissanayake, L. B. (L. J. Pratley), London
Dixon, B. (L. Hodgkinson), Bradford
Dixon, F. M. (E. J. Furniss), London
Dixon, P. J. (Miss), (G. B. Elphic), Chester
Dodwell, J. D. (A. W. C. Lyddon), Plymouth
Dorman, M. S. (Sir Harold Howitt), London
Dowdy, R. S. (K. B. S. Crowhurst), London
Doyle, P. E. (J. Perkins), Harrogate
Drake, E. E. H. (D. N. Walton), Manchester
Duguid, N. S. (F. L. Prusmann), Manchester
Duncan, A. J. (S. Morris), Liverpool
Dunscombe, R. J. (L. H. Andrews), Horsham
Durie, A. J. (C. P. Barrowcliff), Middlesbrough
Durtnall, A. R. (C. B. Sebire), London
Dykes, J. B. (M. A. Coates), London
Dymond, M. J. (M. A. Charlton), London
Dyson, J. A. (P. Slater), Southport

Eberstein, R. D. (M. H. C. Tarrant), London
Edwards, F. A. (J. D. R. Cheetham), Liverpool
Egan, H. A. (W. Hesketh), Blackburn
Egleston, P. G., Smethwick
Ellen, G. E. (V. H. Wade), London
Elliott, D. G. (A. P. L. James), Chepstow
Elliott, K. M. (R. T. Walters), London
Else, C. D. (G. F. Pepper), Nottingham
*Elsey, K. A. L. (R. P. Spanton), Bury St Edmunds

* See also Certificate of Merit above.

Enoch, M. S. (H. Rainsbury), London
Evans, D. D. T. (A. C. Evans), Swansea
*Evans, R. L. (F. Pragnell), Nottingham
Evans, R. M. (B. D. Barton), London
Everitt, W. J. H. (W. K. Wells), London
Exell, D. J. (G. C. Ehlers), Bristol
Eykyn, W. J. (R. G. Pegler), London

Fahy, M. F. (M. J. Stewart), London
Falconer, W. E. G. (J. B. Nicholson), High Wycombe
Farnell, P. S. (M. Naylor), Blackpool
Farrar, R. J. P. (W. J. Leeming), London
Faulkner, R. I. (J. A. Potter), London
Feldman, G. I. (P. Parr-Head), London
Fenton-Jones, J. F. (H. W. Petherick), London
Field, R. A. (F. W. Barnes), London
Fielding, D. H. (H. G. Mack), London
Fielding, G. (V. H. Collinge), Bacup
Filer, V. P. (P. B. Johnson), London
Findlay, I. P. (H. R. Crouch), London
Finnegan, P. J. (A. K. Carlyle), Birmingham
Fitzpatrick, R. J. (D. D. Rae Smith), London
Flatt, D. M. (F. Jones), London
Fleming, M. J. (J. S. Meyler), Brighton
Fletcher, C. J. (F. Thornley), Ashton-under-Lyne
Flynn, A. J. (W. S. Howell), London
Forwood, A. A. (L. W. Gatenby), London
Found, C. D. (T. Hudson), Scarborough
Fox, A. H. P. (R. H. Wall), Birmingham
Francis, J. E. (J. I. Calcott), Leamington Spa
Francis, P. R. (Sir Wentworth Rowland), London
Frankland, C. J. (C. E. Hall), London
Fraser-Harris, B. D. (D. Lorimer), Portsmouth
*Freeman, A. H. (H. Tonge), Oxford
Frieze, C. A. (B. K. Fitton), Manchester
Frith, M. (B. D. Snape), Macclesfield

Gambrill, L. G. (H. J. Hoby), Rochester
Gardiner, P. G. (G. P. L. Hudson), Stroud
Gardner, N. (Miss), (G. H. W. Delderfield), London
Garfield, A. L. (S. Gainsley), London
Garland, P. K. (D. H. M. Jones), London
Garratt, I. C. (J. W. Walkden), Northampton
Gayton, R. (J. R. Hamilton), London
Gentle, B. R. (L. C. Hopkins), Hemel Hempstead
Gibbs, A. A. (L. W. Huggins), Gloucester
Gibeon, S. (E. N. Jacobs), London
Gilbert, E. W. (R. Kirk), Hull
Giles, T. D. B. (E. E. Maltby), London
Gilkes, D. A. (C. E. M. Hardie), London
Gill, C. (E. F. Wilkins), London
Glicksman, S. L. (C. Fisher), London
Golland, P. M. (Miss), (A. S. Hill), Coventry
Good, R. F. (H. W. C. Airey), London
Goodman, I. (J. L. Kitching), Leeds
Gordon, M. J. (C. Metliss), London
Gore, M. W. (R. J. Armstrong), Hitchin
Gorlin, R. V. (E. E. P. Maltby), London
Goslett, P. M. (J. A. P. Whinney), London
Gowan, C. J. (T. G. Preedy), Plymouth
*Graham, W. R. (W. N. Kilgour), Carlisle
Grant, P. D. (H. T. Scothorne), Nottingham
Graves, A. D. (F. J. H. Jones), London
Graves, R. (T. S. Rawlinson), Bradford
Gray, M. J. (R. C. Hardy), Manchester
Greatorex, R. E. (J. B. Sweeney), London
Green, C. (G. H. Piner), London
Green, J. B. T. (C. H. Maggs), Bristol
Greene, M. E. (C. H. I. Chown), Ilford
Greenhill, K. (A. S. Price), Leicester
Greenhough, D. M. R. (L. F. David), London
Greening, D. T. M. (M. J. Hay), Wellingborough
Greenwood, G. E. (G. B. Reeder), Stockport
Greenwood, J. (M. R. A. Jackson), Manchester
Gresswell, A. P. (M. B. Sarson), Oxford
Grice, T. C. (F. C. Fox), Bradford
Griffiths, J. R. (N. A. Wiseman), London
Grundy, A. (D. Armitage), Pontefract
*Guinness, G. N. (H. G. P. Greenwood), London
Gurrie, L. A. (H. Gould), London

Hacking, D. R. (J. Smalley), Manchester
Haigh, R. (R. E. Hinchliffe), Huddersfield
Hales, J. E. (D. Gubbay), London
Hales, P. D. (H. B. Smith), Ketting
Hall, R. V. (C. W. Bingham), Nottingham
Halliday, G. L. (J. Henderson), Liverpool
Hamlyn, M. C. (T. C. Shiner), Grays
Hammerton, B. V. (D. J. Jones), Manchester
Harkins, D. M. (C. N. Bocock), Derby
Harney, K. (F. Neatham), Warrington
Harper, E. W. (S. V. Mann), Coventry
Harpur, W. G. (B. H. Larkins), Birmingham
Harris, B. J. (P. T. J. Dodd), London
Harris, N. J. (J. D. Ayrton), Halifax
Harris, R. H. (W. E. Dewdney), Bristol
Harrison, J. T. (C. M. Strachan), Hull
Hart, A. W. (J. S. Wortley), Sheffield
Hartley, R. S. (M. J. F. Willcox), Scarborough
Hashimi, F. A. (S. R. Hogg), London
Hasnain, M.-u- (N. A. Handley), West Bromwich
Hateley, J. J. (R. B. White), Walsall
*Haworth, L. W. (G. A. Gould), Birkenhead
Hay, H. C. (O. Couse), Birmingham
Hayes, M. (J. Newman), Sutton
Hayles, B. (C. R. Riddington), Leicester
Haynes, M. (B. C. Cornes), London
Hayward-Surry, J. K. (D. Lorimer), Portsmouth
Headley, A. P. (G. M. C. Crowder), London
Healey, M. B. A. (D. G. Latimer), London
Heap, S. W. (M. Fox), London
Heaton, J. A. (N. Neatham), Warrington
Hedgcock, T. L. (N. M. Askwith), London
Henderson, A. E. (G. W. C. White), London
Henry, M. C. (M. Sherman), London
Heppell, M. (J. H. Mann), London
Herbert, R. L. (S. Berg), Southend-on-Sea
Hibbert, G. S. (J. D. Hamer), Manchester
Hibbins, P. H. (B. C. Cornes), London
Hickey, K. T. (J. B. Guest), London
Higginson, M. (W. J. G. Abbott), Gloucester
Hill, R. P. (P. H. Dyer), Bristol
Hinchliffe, A. (E. H. Illingworth), Huddersfield
Hobbs, A. R. (F. A. Magee), Hayes, Middlesex
*Hobbs, D. R. (J. L. Wilson), Leeds
Hodgson, A. P. (C. H. W. Sansom), Middlesbrough
Hogg, N. D. (R. G. Tilley), London
*Hoggarth, A. (G. H. Pratt), Workington
Holden, L. (E. Chadwick), Bolton
Hole, B. (D. H. Harding), London
Holgate, P. R. (N. J. Heaton), London
Holland, P. J. (J. L. Guy), London
Holland, R. S. (B. E. Pearcy), London
Holloway, A. C. E. (D. H. Collier), London
Holmes-Johnson, P. H. (C. Romer-Lee), London
Hope, R. S. (R. C. C. Rawlins), London
Hopkins, J. D. (M. C. Stothert), Bournemouth
Horrocks, J. G. (H. Lawton), Manchester
Horwood, M. C. A. (M. Moore), London
Hoskins, A. S. (N. J. Millard), London
Hoskins, W. D. (G. A. Coombs), Exeter
Houghton, M. C. (S. V. Lancaster), Birmingham
Houseman, M. (R. N. Sharp), Doncaster
Howell, B. (A. B. Snow), Stoke-on-Trent
Hoye, K. (A. A. Mottershead), Macclesfield
Hudd, J. P. (R. S. Colwill), London
Hughes, D. M. (J. Hankinson), Hull
Hulse, J. M. (V. C. Bond), Crewe
Humphreys, T. L. (T. O'Sullivan), London
Hunn, G. M. G. (L. A. Anderson), London
Hunt, B. D. (A. F. Dawes), Birmingham
Hunt, B. D. (G. F. Davies), London
Hurley, J. A. F. (A. N. Chapman), London
Hurlstone, F. G. (W. Ward), Edgware
Hurst, P. W. (N. A. Wiseman), London
Husain, M. (A. N. Chapman), London
Hutchings, A. J. (Miss), (P. F. Rendell), Bristol
Hutchings, R. J. (M. W. Trott), Axminster

Indra, Z. (T. W. Pickard), Cardiff
Ingram-Johnson, J. S. H. (G. J. Pollard), Taunton
Innes, J. L. (J. V. Morris), London
Ireland, M. J. (J. Godfrey), London

Jackson, D. A. (N. J. Heaton), London
Jackson, P. C. (P. C. Cardno), Bradford
Jadeja, V. (I. Engel), London
James, R. A. (G. A. Chugg), Cardiff
James, R. W. R. (R. Heatherington), Newcastle upon Tyne
Jarvis, P. H. E. (D. Sirkin), Leicester

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*Jayson, R. V. (R. G. Leach), London
Jeffrey, D. G. D. (A. J. Leach), Hereford
Jenkin, D. L. (H. G. Field), Chertsey
Jenkins, B. G. (B. A. Maynard), London
Jennings, T. D. (N. K. Allen), London
Jervis, C. C. B. (D. M. Finlayson), Liverpool
Jewison, C. P. (D. R. Maddox), Bournemouth
Johnson, S. (G. P. Norton), Huddersfield
Johnstone, D. W. R. (P. Godfrey), London
Jones, A. (V. F. Alban), Cardiff
Jones, D. B. (J. W. Berriman), Middlesbrough
Jones, H. D. N. (E. J. Nettle), Birmingham
Jones, K. (D. E. Morris), Nantwich
Jones, L. N. P. (H. M. Withers), Hastings
Jones, R. B., Dudley
Jordan, P. R. (S. Jackson), London
Joschpé, G., Manchester
Justice, W. D. A. (M. H. C. Smith), London

Kanji, N. E. (J. H. G. Maltby), London
Kanter, E. F. (E. M. Kevehazi), London
Kay, K. J. (T. Alderson), Manchester
Keighley, J. (C. V. Smith), Cheltenham
Keir, S. E. (Miss), (D. E. Heron), Workington
Kelly, A. K. (D. B. Evans), Hove
Kelly, D. R. S. (D. M. Finlayson), Liverpool
Kelly, L. P. (M. W. H. Lancaster), London
Kemp, J. L. (A. W. S. Tabbernor), London
Kenny, A. A., Manchester
Kettle, D. (F. S. Jones), Sale
Khan, A. H. (B. I. Freedman), Cardiff
Khan, F. (V. A. Tudball), London
Khanna, L. C. (R. F. Penney), London
*Kheraj, N. H. A. (D. Jacobs), London
Khodeir, H. A. El-R. (C. D. Beck), Manchester
Kidd, B. J. (W. H. Eldridge), Chelmsford
Kidd, J. (R. P. Winter), Newcastle upon Tyne
Kiddell, J. E. (J. A. West), London
Kilminster, J. C. (R. F. Crow), Southampton
Kilner, B., Huddersfield
King-Underwood, M. (H. B. Smith), Kettering
Kirby, J. P. (D. T. Veale), Leeds
Kirk, D. G. (G. M. Barr), Doncaster
Kneeshaw, L. P. (H. M. Lepper), Northampton
Knight, J. J. (G. W. Firkins), Birmingham
Koretz, M. (M. W. Wicks), Manchester

Lait, B. H. (I. C. Paterson), London
Lam, T. Y. (H. L. Ward), London
Lamaison, P. L. (J. G. Hurst, Jun.), Liverpool
Lancaster, J. D. (J. P. Clayton), London
Lanceley, D. E. (F. E. Galloway), Chester
Lane, T. A. (P. Lynn), London
Lapham, D. R. (S. V. Austin), London
Lavender, J. D. (R. Goodwin), Derby
Law, R. C. (A. G. Hirst), Liverpool
Lawes, D. T. (C. J. B. Andrews), Bournemouth
Lawrenson, J. A. (W. L. Solon), Worcester
Laws, R. M. (P. H. Gibbs), Bristol (*Plender Prize for the paper on Auditing*)
Lawton, P. A. (F. G. Batty), West Bromwich
Laycock, M. P. L. (R. W. Carr), Leeds
Layton, M. J. (C. J. White), Sutton
Leadbeater, G. (G. C. B. Gidley-Kitchin), London
Leah, A. J. (J. H. Jones), Manchester
Lee, N. J. (F. Holt), London
Lehrer, J. E. (T. G. Buckingham), London
Leppingwell, K. (L. W. Hustwick), Bradford
Letham, I. R. (A. H. Walton), Manchester
Levene, L. B. (S. R. Russell), London
Lever, D. A. C. (F. Proctor), London
Lewis, J. R. S. (D. A. White), Bristol
Li, A. F. S. (F. S. Young), London
Li, D. K. P. (T. A. Tansley), London
Libson, J. L. (J. Radstone), London
Lima, T. C. (L. D. Morse), London
Lipman, H. (G. L. Bloom), London
Lister, R. J. (N. L. R. Trounce), Manchester
Livingston, O. P. (R. A. Haigh), Leicester
Lloyd, S. J. (H. J. Watkins), London
Lomas, D. F. (J. Rafferty), Cannock
Long, B. D. (D. A. Clarke), London
Loosley, J. W. (P. J. L. Case), Watford
Love, A. M. (J. H. Sisson), London
Lovell, T. J. (G. W. Harrison), Wolverhampton
Lovewell, S. E. (N. J. Williams), Warrington
Lowe, C. J. (S. J. D. Corsan), London
Lowe, J. F. (J. I. Harley), Barrow-in-Furness
Lowles, G. G. (R. Dixon), Lewes
Lowles, P. B., London
Lowry, D. F. (F. C. Nelson), London
Lugg, R. B. (G. R. Appleyard), London
Lutterodt, A. A. (A. Goodman), London
Lyon, I. G. (P. H. Blandy), Nottingham

*Maas, R. W. (F. C. Parslow), London
McCreath, M. J. S. (W. N. Crebbin), London
Macdonald, J. W. S. (W. E. Parker), London
McEnnerney, G. J. (D. R. Fendick), Manchester
McEwan, D. (H. A. Sisson), Newcastle upon Tyne
Macey, P. E. (Miss), (T. R. McBride), London
McFadzean, G. B. (W. R. T. Whatmore), London
McIntosh, I. A. N. (P. C. Cardno), Bradford
MacKenzie, A. J. (C. J. M. Bennett), London
McKoen, M. J. (L. W. Hawkins), London
MacLeod, H. T. A. (B. F. Wheeler), London
McMaster, W. (R. E. Appleby), Newcastle upon Tyne
*McNeil, I. M. J. (J. G. W. Cuthbert), London
McNeil-Duncan, J. E. (H. W. Fisher), London
McPhee, D. (J. Lamb), Newcastle upon Tyne
Maddison, R. (J. T. Bootyman), Grimsby
Maguire, J. J. (E. J. R. May), London
Mahadeva, M. (N. Freeman), London
Mahmud, A. (K. N. Hawkins), London
Main, A. H. (O. M. Lewin), London
Majdalany, R. J. E. (R. F. George), London
Major, A. W., London
Malik, S. A. (D. F. Webster), London
Manning, J. (J. Bowman), London
Marchington, J. P. (F. L. Prusmann), Manchester
Marks, J. G. (G. H. Ledbury), Trowbridge
Marshall, A. (W. M. Atwood), London
Marshall, M. A. (H. C. M. Lewis), Eastleigh
Marshall, T. I. (F. D. Marshall), Manchester
Martin, K. C. (K. G. Winward), Watford
Martin, M. (A. W. Johnson), London
*Masidlover, M. D. (J. Auerbach), London
Mason, D. E. (J. Mayhew-Sanders), London
Massiah, C. D. (D. L. Chaplin), Manchester
Masters, D. R. (J. O. M. Williams), Cardiff
Mathiason, M. A. (R. P. Matthews), London
Maton, J. C. (E. N. Foster), Bridlington
Matthew, W. J. (C. H. Bryant), London
Matthews, W. P. (M. D. Carr), London
Matveieff, N. (C. J. Jeffries), London
Maughan, C. J. S. (N. H. Russell), Birmingham
Meadowcroft, J. (C. H. Duff), London
Mears, J. W. A. (J. H. P. Griffith), Slough
Meekins, D. E. (F. L. Duck), London
Merritt, K. (T. Bedford), Leeds
Mew, R. R. (Miss), (J. H. Mitchener), Southampton
Michael, P. V. (P. W. Barrows), Birmingham
Micklethwait, A. R. (J. A. P. Whinney), London
Middleton, M. J. (A. H. Miller), Eastbourne
Miller, B. V. (W. H. Tarn), London
Miller, L. (G. Classick), Manchester
Mills, S. (Miss), (C. Phizackerley), Chelmsford
Mills, S. M. (J. D. Green), London
Milne, R. M. (C. N. Smellie), London
*Mistry, D. R. (V. C. Baker), London
Mitchell, W. J. (H. P. Lawrence), Bristol
Mitchelmore, J. R. J. (J. Portergill), Banbury
*Moberly, W. J. D. (W. R. Tomkinson), London
Mockeridge, M. P. (L. H. Brazier), Southend-on-Sea
Monaghan, A. (G. D. Warrington), Huddersfield
Monks, S. M. (J. E. Sharman), Bolton
Moore, D. J. (H. Young), London
Morgan, M. G. (H. G. Kingscott), Gloucester
Morland, D. P. (Sir Thomas Robson), London
Morris, G. (E. R. Thompson), Manchester
*Morris, J. R. (J. K. Black), London
Morris, R. J. (E. E. Sander), London
Mortlock, P. J. (H. L. Layton), London
Mosedale, J. H. (D. R. Brooks), Manchester
Moss, R. H. (T. A. Baker), Manchester
Mottram, J. M. (A. C. H. King), London
Mower, B. (B. R. Cahill), Leeds
Mulhall, J. B. (L. Jennison), Tring
Munawar-ud-din (G. A. King), London
Murray, K. W. (D. H. D. Freeman), London

* See also Certificate of Merit above.

Murugiah, A. V. (G. W. Maylam), London

Nair, A. K. (D. H. Levett), London
Nanda, S. P. (R. B. de Zouche), Liverpool
Neame, S. D. R. (B. Morgan), London
Neil, A. D. (T. G. Threlford), London
Nesfield, V. J. (D. D. Rae Smith), London
Nevitt, P. (A. W. Monk), London
Newland, P. (E. R. Longman), Leeds
Newman, A. C. (R. C. G. Tibbles), London
Newton, R. B. (W. E. Ogden), London
Nicholas, M. R. (B. E. Brown), Cardiff
Nicholson, F. A. (M. R. Davies), London
Nicholson, H. P. (R. F. Watkins), Northampton
Nightingale, R. J. (G. N. Knowles), Winchester
Nixon, P. J. (H. Lomax), Manchester
Noel-Tod, N. H. (J. W. Clement), London
Nokes, G. G. M. (T. H. How), London
Nokes, K. R. (P. A. Hayes), Cardiff
Nuttall, B. (F. Gregg), Manchester

Oak, W. R. (B. N. Antoine), Peterborough
Oakley, E. R. (F. L. K. Crowe), Weston-super-Mare
O'Donnell, J. K. (L. A. I. Deane), London
Ogden, A. J. (A. C. Simmonds), London
Ogden, G. (E. R. Thompson), Manchester
Okobi, C. E. (W. R. McBrien), Hastings
Okoye, D. O. (S. G. G. Ohly), Hove
Orton, K. F. (G. H. Norris), Birmingham
Osatch, I. (S. A. Mann), London
Osborn, A. G. (J. S. H. M. Vereker), London
Osmond, J. (N. A. Wiseman), London
Oury, R. A. (W. H. Oury), Slough
Ovenden, P. S. (C. A. Harrap), Eastbourne
Owen, J. W. (A. F. G. Blissett), Nottingham
Owen, T. G. (W. R. Ward), London
Owen, W. J. (C. Gee), London
Owens, I. R. B. (C. H. March), Cardiff

Paddock, K. T. (A. T. Burn), Worthing
Padmore, E. C. (R. W. Rodwell), Leicester
Padovan, J. M. F. (Sir Thomas Robson), London
Page, T. R. (A. E. Donnelly), Southsea
Palmer, K. A. (E. J. Stokes), London
Palmer, M. J. (H. Newman), London
Pantzer, W. W. (D. A. J. Draper), London
Parish, B. T. (W. H. Morton), London
Parkes, J. C. (Miss), (W. H. Wright), London
Parry, G. H. A. (T. I. Williams), London
Parry, K. F. (F. Crosland), Huddersfield
Parry-Wingfield, M. A. (W. B. Chapman), London
Parsons, O. T. (G. F. Huff), London
Pasha, M. K. (C. R. Jeffreys), London
Patel, J. V. (C. W. McCormack), London
Paton, R. E. (C. B. Cawthorne), London
Patterson, R. E. (B. Garbacz), London
Patwa, M. M. (B. V. Morris), London
Payne, T. (A. W. Dawson), Southsea
Peacock, M. I. (E. E. Maltby), London
Peake, H. N. (R. S. Wilkinson), Stoke-on-Trent
Pearce, E. J. (J. B. Davison), Bromsgrove
Pearce, G. A. (F. W. Charles), London
Pearce, J. F. (E. Lucas), Bedford
Pears, E. R. W. W. (D. H. Whinney), London
Pearson, I. N. G. (A. D. Wardle), London
Pearson, J. M. (W. T. Horsfall), Liverpool
Pearson, J. M. (R. A. Douglas), Manchester
Peaty, M. J. (J. R. B. Martin), Yeovil
Penman, J. J. (S. Marsh), St Helens
Percival, C. T. (G. N. Taylor), Newcastle upon Tyne
Percival, P. W. S. (Hon. J. W. Remnant), London
Perera, M. R. (D. W. Robertson), London
Peries, C. L., Bristol
Perkins, B. K. (C. W. Massey), Birmingham
Perrett, M. W. W. (F. M. Kellett), Newcastle upon Tyne
Philips, A. N. (R. F. Harding), Brighton
Phillips, C. R. (G. F. Thornton), Bideford
*Phillips, J. M. (M. R. Harris), London
Pickard, N. B. (L. C. Evans), Liskeard
Pickup, A. I. (J. Pollard), Accrington
Pierce, J. E. (S. J. Clark), Southampton
Pillai, R. A. (D. Smith), London
Pilzer, P. J. (R. Francis), London
Pitt, C. (Miss), (J. S. Paine), London
Plant, P. B. (J. M. Pitts), Birmingham
Pledger, N. G. (R. E. W. Curtis), Cambridge
Plumb, D. J. (H. Grundy), Birmingham
Plummer, H. F. (C. S. G. Kealey), London
Pollitt-Pipkin, F. D. (B. H. Larkins), Birmingham
Potts, D. (J. H. Smith), North Shields
Povoas, G. S. (J. C. C. Braint), Leicester
Powdrill, P. D. (H. F. Dixon), Leicester
Powell, W. T. (D. P. Jones), Gloucester
Prakash, V. (D. W. Eckersley), Manchester
Preece, P. J. (A. K. W. Edwards), London
Prescott, F. N. (J. B. Fletcher), Kingston upon Hull
Prevett, J. E. G. (L. M. G. Harris), London
Price, D. S. (R. Philp), London
Pritchard, A. B. (F. C. Hucker), Wells
Pritchard, W. T. (H. C. Bunn), London
Purden, J. L. (P. R. Goldthorpe), Birmingham

Quigley, P. K. (G. S. Norris), Manchester

Radcliffe, R. C. (G. F. Ansell), London
Ralls, M. H. (O. W. Horne), Portsmouth
Rathbone, C. J. L. (D. B. Sharp), London
Rawlins, D. J. W. P. (N. A. Smith), Reading
Ray, R. N. (D. F. D. Cartwright), Brighton
Ray-Jones, P. R. (R. Harrop), London
Rayner, R. E. C. (T. L. Plewman), Leicester
Read, P. M. (R. G. Pegler), London
Readman, F. (C. E. Garratt), Birmingham
Refson, P. S. (T. C. Squance), Sunderland
Rhys, O. M. L. (J. E. Barris), London
Richards, A. F. (A. G. Ogden), Keighley
Richards, M. J. (R. T. Janney), Cannock
Richardson, G. M. (J. H. Bell), Manchester
Richardson, K. L. (A. G. Rice), Cannock
Richardson, M. C. (C. B. Holland), London
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939 Candidates passed ***1,152 Candidates failed***

* See also Certificate of Merit above.

PRELIMINARY EXAMINATION

Held on November 14th, 15th, 16th and 17th, 1961

First in Order of Merit, the Institute Prize and the Deloitte Prize for the year 1961
Edey, Russell Philip, Chislehurst

Full List of Names of Successful Candidates

(In alphabetical order)

Anthonisz, I. H., London
Atwell, B. J., Glastonbury

Bell, D., Burnley
Briggs, M., Ifield
Buck, A., Leatherhead
Burton, D., Coventry

Clark, E. R., Ashtead
Crabtree, C. J., Bradford
Crawford, D., Huddersfield

Davis, P. H., London
Dennison, R. W., Shipley

Edey, R. P., Chislehurst

Freedman, S., Manchester

Goldthorpe, M. S., Leeds
Grierson, R. M., Sheffield
Guignard, R. C. P., Coulsdon

Hancock, A. A., Sheffield
Hawkins, M. A. (Miss), London
Hellyer, A. S., Petersfield
Hiles, N. R. F., Heaton Chapel
Holdsworth, R. A., Halifax

Jones, D. R. H., Southall

Kemp, M. J. M., Birmingham
King, J. R., Eastings

Laitner, S. A., London
Lawler, J. D., Preston
Leopard, N. H., Upton-on-Severn

McGowan, B. D., Isleworth
McNiff, J. J., Kingston upon Thames
Majumdar, K., London
Mercer, F. C., Liverpool
Mitra, S. K., London

Nettell, J. P., Bognor Regis

O'Connor, P. G., London
Oliver, R., London
Owen, J., Mickleover
Passey, G. F., Tamworth
Petherbridge, J. M., Birmingham
Pinchard, M. W., Brighton

Riches, K. I., Ewell
Roblin, D. J., Cardiff
Rogers, D. A., Bexleyheath
Rooney, F. P., Ashford, Middlesex

Seneviratne, K. N. E., London
Sheppard, D. R. A., Leiston
Sivanandaraja, K., London
Smart, A. E. (Miss), Workington
Somech, P. D., Cheadle

Taylor, G., Manchester

Wand, A. P., Westcliff-on-Sea
Ward, R. J., Chalfont St Peter
Warriner, P. M., Harrogate
Watkins, J. J., Crawley Down
Weaver, R. A. C. F., Solihull
Williams, N., Canterbury
Wilson, D., Mansfield
Wong, D. A., London

57 Candidates passed ***161 Candidates failed***

Summary of Results

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates Successful	813	939	57	1,809
Candidates Failed	883	1,152	161	2,196
Candidates Sat	1,696	2,091	218	4,005

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EXAMINATIONS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation) conducted the Final Examination of the Society in November 1961.

FINAL EXAMINATION

(Names of Successful Candidates)

1. Candidates for membership of The Institute of Chartered Accountants in England and Wales

Astbury, I. C. (H. C. M. Lewis), Eastleigh
Ayres, C. K. (D. H. Husband), Cardiff

Barrie, G. R. A. (H. E. Davis), London
Bentley, W., Leeds

Clarke, F., Blackburn
Cluett, N. V. (L. W. Free), Southend-on-Sea

De Putron, R. A., Guernsey
Dyer, W. E. J., London

Faithfull, P. D., London
Frame, M. H., Leeds

Garrod, J. A., Portsmouth
Groom, B., London

Harding, T. (D. Hunter), York
Hillman, P. S. (M. Hyams), London
Holt, J., Bury
Hudson, J. (D. McMichael), Leeds

Jackson, P. S. F., Newcastle upon Tyne

Leach, J. V. (R. Brooks), London

Manchester, E. L., London
Manning, S. P. (W. J. Jackson), London
Merriman, L. R., London
Moore, M. H. (S. Woodyer), Liverpool

Nicholls, I. A. (Miss), Manchester

Parrott, J. D. (S. Garner), Manchester
Parry, E. B., Tanganyika

Roblin, J. A. (E. E. Pearce), Cardiff

Sadler, D. A. (D. H. Lewis), Wolverhampton
Sharp, J. H., London
Silvester, E. G. (F. W. Turquand), London
Stapley, E. (H. G. Jenkins), Wrexham
Steele, K. J., Hull
Stoddart, J. D. T., Coatbridge
Storey, E. R., London

Taylor, B., Rochdale
Townsend, W. V. (D. G. Truscott), London

Wilson, F. D. (A. S. James), Liverpool

2. Candidates for membership of The Institute of Chartered Accountants in Ireland

Barrett, D. J., Dublin
Grant, V. D. (E. Hillan), Belfast
Jackson, R. A. (A. J. Walkey), Dublin

Kennedy, M. P. (R. J. Kidney), Dublin
Kirwan, B. (W. Kirby), Cork

McAllister, B. J. (J. J. Hillan), Belfast
Waddell, R. J., Belfast
Webb, J. A. (N. M. P. Crowley), Dublin

Summary of Results

	Passed	*Failed*	*Total*	*Completing Examination*
Parts I and II together	1	2	3	1
Part I only	—	1	1	—
Part II only	43	36	79	43

ANNOTATED TAX CASES

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THE ACCOUNTANT

ESTABLISHED 1874

FEBRUARY 24TH, 1962 VOL. CXLVI. NO. 4549

CONTENTS

Page

Advice for the Chancellor 217

Comparative Taxation: Profits from Foreign Sources
by *A. Dale, F.A.C.C.A.* 219

Education for the Profession: The New Zealand Scheme
by *Roy Sidebotham, B.A.(Com), A.A.C.C.A., Professor of Accountancy, Victoria University of Wellington* 223

Control of Overheads
by *H. H. Norcross, F.C.W.A.* 226

Weekly Notes
Cost Accountants' Examinations – Size and Efficiency – Advice from the Professions – Shipping and the Common Market – Losing Confidence More Slowly–Wider E.C.G.D. Cover – Cut in B.E.A. Services 229

This is My Life . . .
by *An Industrious Accountant* 231

Finance and Commerce
Associated British Engineering Ltd – F. W. Woolworth & Co Ltd – City Notes – Rates and Prices 232

Correspondence 237

More High Quality Recruits Needed
Lord Piercy's Comments at Cardiff Dinner 239

Notes and Notices 240

The Institute of Cost and Works Accountants
Results of Examinations held in December 1961 242

Advice for the Chancellor

As the Budget approaches, more and more memoranda containing hints for THE CHANCELLOR are published. Sharply contrasted views were revealed by two documents published at the end of last week. One is a statement on the economic situation and the Budget which is the work of the Economic Committee of the Trades Union Congress; the other is a memorandum on the next Finance Bill (and matters connected with it) submitted by the Council of The Institute of Chartered Accountants of Scotland. The only point at which the two statements tend to converge is on the question of depreciation allowances. The T.U.C. statement says that the Government should be prepared to supplement more general measures for stimulating activity (which would themselves restore investment demand) by the use of selective and more rapid depreciation allowances. The Scottish Institute 'again draws attention to the inadequacies of the existing depreciation allowances', particularly the absence of any allowance for commercial buildings, and the restrictive definition of industrial buildings.

The other tax suggestions in the T.U.C. statement are tied up with political polemics. There is a call for extended social benefits and 'the reorganization of the structure of income tax allowances to redress the discrimination against people on lower incomes with family commitments'. These moves are to be paid for 'by heavier taxation of those best able to bear it'. The '£80 million gift to surtax payers' should be withdrawn forthwith; a tax on capital gains, it is stated, is now 'long overdue', and the country expects these sources of untaxed income to be tackled comprehensively and stringently. THE CHANCELLOR is also called upon to 'redeem the undertaking which he gave a year ago to tackle at their roots the offensive features of so-called business expenses'. Finally, the statement complains about the activities of land speculators and their effect on housing costs, and declares 'this public scandal should be dealt with by taxing all land deals and property development schemes which involve increases in the price of land over present use value.'

The Scottish Institute expressly disavows itself from any concern with overall reductions or increases in taxation, or with questions of party politics. It deals instead with reforms intended to improve the administration of the tax system or to remove or mitigate inequities or hardships. In this examination of inequities surely pride of palce must go to the state of the law as affirmed by *Bidwell v. Gardiner* (39 A.T.C. 83). In that case a taxpayer who had succeeded to the proprietorship of a small hotel spent £168

in his first year's trading on ordinary renewals of curtains, floor coverings and bedding. Since he had inevitably bought the existing articles second-hand, the General Commissioners stated that to the extent of £100 the £168 was capital expenditure and therefore that £100 must be disallowed. It was conceded that had the taxpayer's predecessor incurred the £168, all of it would have been deductible. MR JUSTICE DANCKWERTS upheld this decision. As the Scottish Institute points out, this principle is even more inequitable where there has been a mere partnership change, and its inequity is emphasized by the new provisions for taxing post-cessation receipts.

The memorandum suggests that a company claiming management expenses relief should be allowed to carry forward as a loss any section 170 assessment made upon it, as well as bank interest relief which cannot be allowed in the year of payment. It reiterates the suggestion that the Schedule E expenses rule should be less restrictive, particularly in relation to professional men holding public appointments.

The Institute considers that the time limit for exercising the statutory option on a change of partnership should be extended sufficiently to enable the parties to know the amount of the profits for the year following the change, before they have to decide on whether or not to exercise the option. Another oft-repeated recommendation is that an expert body be set up with a view to having the anti-avoidance legislation made more brief and precise. The Institute also submits that, pending this examination, there should be a general 'clearance' provision, on the lines of section 468 of the Income Tax Act, 1952 (change of a company's residence), or section 28 (10) of the Finance Act, 1960. We are not sure that we would wish to see a wide extension of the application of section 28 (10); under that subsection the Inland Revenue can refuse either to give clearance or to take immediate action.

An obvious injustice lies in the practice of making an automatic direction on a company's investment income without making any direction on its estate or trading income, with the result that although the bulk of the aggregate income may be apportioned for surtax, the company still has to pay profits tax as well. The memorandum urges that the law be changed to bring an end to this anomaly.

The law relating to overseas trade corporations can be said to be still in the teething stage. The memorandum argues that dividends out of trading income paid by one O.T.C. to another O.T.C. should not attract United Kingdom tax until the income is distributed to a shareholder who is not an O.T.C. It also suggests that dividends from trading subsidiaries resident overseas should be regarded as trading income in the hands of the recipient O.T.C. parent. Another criticism is directed against paragraph 4 of Part I of the Fifth Schedule to the Finance Act, 1957. This paragraph directs that 'charges' paid by an O.T.C. are to be set off primarily against its investment income, only the excess over investment income being set off against trading income. If the charges are payable abroad so that the O.T.C. cannot deduct tax, and they are set off against taxed investment income, the O.T.C. obtains no relief for them.

Some of the tax problems of British companies trading abroad, as compared with their foreign competitors, are also discussed in a contributed article in this issue.

The administration of income tax and other taxes on income has been the subject of much comment in the past year or so and the Scottish Institute has four points to make. It suggests that statutory provision should be made to give binding effect to an agreement between a taxpayer and the inspector that the former need not attend a particular appeal meeting for which his appeal had originally been set down. At present the Appeal Commissioners are not bound to pay any attention to such an agreement. The Institute also supports the suggestion already made that a statutory power be given to taxpayers to elect that notices should be sent to their agents. Support is given in the memorandum to the suggestion that inspectors should have power to sign assessments, the assessment functions of General Commissioners being abolished. It is suggested that in any review of the design of forms, regard should be had to the fact that many accountants now use photocopying processes in relation to such forms. One improvement would be to cut down the number of pages over which a return form is spread. Finally, it is argued that where a company submits accounts and computations it should not be subject to any requirement to complete a statutory return form.

COMPARATIVE TAXATION

Profits from Foreign Sources

by A. DALE, F.A.C.C.A.

THE question of incentives to induce United Kingdom enterprises to increase their exports has been raised frequently in Parliament and Press in recent years, and Government spokesmen must be weary of repeating their reasons for rejecting the suggestions made. They maintain that any incentives offered would be quickly countered by the granting of bigger and better incentives by other countries, so that in the end nobody would be any better off, and that in any case various international agreements preclude the offering of export incentives.

These international agreements do not preclude, however, the granting of special treatment to foreign earnings in the field of direct taxation and there are major variations in different countries in the scope of the tax charge on such earnings. It is of interest to study these differences in order to determine whether United Kingdom taxation laws place British traders in an adverse competitive position as compared with their foreign counterparts.

As most foreign earnings accrue to companies this review is restricted to company taxation, and it is concerned primarily with manufacturing and trading profits arising within foreign countries (i.e. from business activities carried on in those countries) as distinct from profits arising within a country from the exporting of goods to foreign markets. It will be appreciated, also, that sometimes the operation of the basic tax laws of a country is affected by double taxation relief granted either unilaterally or under bilateral agreements.

Scope of Tax in the United Kingdom

Tax is charged in the United Kingdom on:

(*a*) all income arising in the United Kingdom no matter to whom it accrues, and

(*b*) all income, wherever arising, that accrues to a resident of the United Kingdom.

A company which is resident (i.e. managed and controlled) in the United Kingdom is therefore normally liable to tax on all its domestic and foreign profits. If, however, the foreign profits are earned by a subsidiary company which is managed and controlled abroad tax is charged in the United Kingdom only on dividends received by the parent company from the subsidiary.

The scope of the tax charge has been limited since 1957 in the case of a special category of United Kingdom company known as an overseas trade corporation (O.T.C.). An O.T.C.'s business is treated as if it were carried on outside the United Kingdom by a non-resident, and consequently the trading income is not chargeable. When, however, dividends are paid out of the exempt income the O.T.C. has to pay income tax on an amount equal to the gross dividend paid. Profits tax is not charged, but any shareholders who are subject to that tax must include dividends from O.T.C.s in their taxable profits.

To qualify as an O.T.C. a company must:

(i) be resident in the United Kingdom,

(ii) be carrying on a trade outside the United Kingdom, or be a principal company not itself carrying on a trade but having a subsidiary company which is an O.T.C. and which is carrying on a trade outside the United Kingdom, and

(iii) satisfy a number of conditions as to its mode of trading.

But a principal company not carrying on a trade cannot be an O.T.C. if it has a subsidiary company resident in the United Kingdom which is not an O.T.C. A company is deemed to be a subsidiary of another company if more than one-half of its ordinary share capital is owned, directly or indirectly, by that other company. The conditions which must be satisfied include the following:

(i) The company's activities in the United Kingdom, leaving out of account the management and control of its trade, must not by themselves amount to the exercise of a trade.

(ii) A company which purchases goods for export from the United Kingdom must not take delivery of them in the United Kingdom otherwise than on board the ship or aircraft in which they are exported and must not bear any expenses or incur any charges in connection with the delivery, warehousing, etc., of the goods in the United Kingdom. The object of this condition is to ensure that there can be no

question of the subsidizing of exports by means of this scheme.

(iii) The profits arising from the whole of the company's trade must be chargeable in an overseas country to some tax similar in character to income tax or profits tax in the United Kingdom, or would be chargeable in one or more overseas country to tax of a character and scope corresponding to income tax if in every country outside the United Kingdom such a tax were charged on the profits arising from any trade exercised within the country by either a resident or a non-resident.

It will be noticed that a parent company can qualify only if it has a subsidiary company *which is an O.T.C.* carrying on business outside the United Kingdom. It is necessary, therefore, for the subsidiary to be resident in the United Kingdom and to satisfy all the other conditions.

Other Countries' Rules

(1) The Commonwealth

The committee which drafted the Model Income Tax Ordinance in 1922 considered that the most appropriate scheme for the colonies was one which imposed tax upon income which either had its origin in the colony or was received in the colony. The scope would thus be limited to income coming within the colonial jurisdiction. This is still the basic rule in many Commonwealth countries including Aden, Cyprus, the East African territories, Gambia, Ghana, Gibraltar, Malaya, Nigeria, Sierra Leone and Singapore.

In a few countries, e.g. Hong Kong, and the Federation of Rhodesia and Nyasaland, the basic rule is that only income having its origin within the country is chargeable. (This applies also in South Africa which, of course, is not now a Commonwealth country.)

Most of the other Commonwealth countries have the same system as the United Kingdom (except for the O.T.C. modification) but there are a few refinements:

(i) Jersey, Mauritius and the British West Indies territories, except Jamaica, charge income from foreign trade to the extent only to which it is received in the country.

(ii) In Jamaica the income of companies engaged in business outside the British Caribbean area whose centre of management is in the country but which do not trade there, is exempt. Tax concessions are offered also to 'approved export manufacturers' whose products are sold outside the West Indies Federation.

(iii) New Zealand grants exemption to income from Commonwealth sources provided it is chargeable to income tax (or a substantially similar tax) in the country of origin. The income is taken into account, however, in determining the rate of tax payable on other income. Income of a company from non-British Pacific Islands is taxable only if remitted to New Zealand.

(iv) Canada does not charge tax on dividends received by a corporation if it owns more than 25 per cent of the shares in the paying corporation and that corporation is non-resident or is a 'foreign business corporation'.

A 'foreign business corporation' is exempt from tax. Its assets (except securities and bank deposits) must be outside Canada and except for management and the designing, purchasing and transportation of goods it must carry on business operations of an industrial, mining, commercial, public utility or public service nature entirely outside Canada. This exemption was withdrawn in 1959 except for those corporations which had previously qualified.

(v) Australia grants exemption in respect of income, other than dividends derived from sources outside Australia, provided:

(*a*) the income is not exempt from income tax in the country from which it is derived, or

(*b*) the taxpayer has paid a royalty or export duty in some other country in respect of goods from the sale of which the income was derived.

(2) Common Market Countries

In France a corporation established there is subject to corporation tax only on its income from French sources. Dividends received from a foreign subsidiary (normally a company in which at least 20 per cent of the capital is owned) are not taxable but the administrative expenses applicable have to be disallowed and for this reason tax is charged on 25 per cent of the dividends.

The Netherlands charges corporation tax on all the profits of corporations established there, but dividends received from foreign corporations in which at least 25 per cent of the share capital is held and which are liable to tax on their profits in the foreign countries are excluded from profits. This relief may be extended to cases where a smaller percentage is held if the holding can be regarded as a trade investment or if it serves the national interest. Investment companies are also normally granted exemption from tax in respect of dividends from foreign companies.

Profits arising from a trade or business carried on through a permanent establishment abroad and which are subject to tax there are normally exempt in the Netherlands but affect the rate of tax payable on domestic income.

In Germany and Luxembourg tax is charged on income from all sources but in the latter country some holding companies qualify for exemption.

Italy subjects resident companies to company tax, but not to income tax, on profits and dividends from foreign sources.

In Belgium income arising abroad to companies which have their registered office or their principal administrative office in Belgium is taxable at reduced rates:

(*a*) Income tax on business profits is charged at only one-fifth of the ordinary rate, provided the profits are taxed abroad.

(*b*) Income tax on investment income is charged at 12 per cent instead of 30 per cent for dividends and 18 per cent for interest.

(*c*) National crisis contribution on that part of a Belgian company's dividends which is derived from income earned abroad is charged at one-fifth of the ordinary rate.

(3) E.F.T.A. Countries

In Austria, Norway and Sweden the basic rule is that income arising abroad is taxable. This applies also in Denmark except that in the case of companies relief is granted from company income tax, but not extraordinary company income tax, in respect of profits of foreign branches.

Switzerland charges resident companies on all profits except that profits arising abroad through a permanent establishment are not taxable but are taken into account in determining the rate of tax payable on other income. Some holding companies qualify for exemption.

In Finland (associated with E.F.T.A.) a resident company is subject to tax on income from all sources except dividends from foreign companies (regardless of the extent of the shareholding).

(4) U.S.A.

Subject to the following special provisions, a United States corporation is, in general, liable to tax on all its domestic and foreign income.

(i) Western Hemisphere trade corporations are allowed a deduction from taxable income of 14/52nds of that income. This is equivalent to a reduction in the rate of tax from 52 per cent to 38 per cent. These corporations must carry on the whole of their business (except incidental purchases) outside the United States in North, Central or South America or in the West Indies. Ninety per cent of their income must come from active business and 95 per cent of their income for the previous three years must come from outside the United States.

(ii) A special relief is available also to corporations organized under the China Trade Act, 1922, which derive income from Formosa and Hong Kong.

(iii) Income from the Panama Canal Zone, Guam, Samoa, Wake and Midway Islands is taxed on the remittance basis, provided 80 per cent or more of the gross income of the tax year and the two preceding years was derived from one of these territories and 50 per cent or more of the gross income was derived from the active conduct of a trade or business within the territory.

Adverse Position of British Traders

In paragraphs 638 and 639 of their report, the majority of the Royal Commission on the Taxation of Profits and Income stated:

'It can be taken as axiomatic that a volume of overseas earnings is essential to the economic life of the United Kingdom. No plan of our future economy could fail to rely upon it. The maintenance of a satisfactory balance of payments in our relations with other countries is not merely an important feature of the policy of the United Kingdom; it is an inescapable element of any long-term policy; since the history of our economic development has not left us with any large freedom of choice that would enable us to adapt our position to the new circumstances of the twentieth century.

Such a country is bound to do what it can to foster the growth of its overseas trade. At least it should be scrupulous to avoid the adoption of any measures that tend to place its overseas traders at a positive disadvantage in competition with traders in or from other countries in the field of international trade. Yet the United Kingdom does succeed in imposing just this disadvantage by its present method of taxing overseas profits.'

It was in order to remove the disadvantage that the majority put forward the O.T.C. scheme, and it is most regrettable that their ingenious and imaginative conception was not fully implemented. They contemplated that overseas profits should 'include the profits of overseas subsidiary companies whether controlled from the United Kingdom or outside it' but the 1957 Act extends relief, as has been explained, only to United Kingdom parent companies with subsidiaries controlled from the United Kingdom.

The adverse position of British traders as compared with their foreign competitors can be summarized as follows:

Companies which merely export without setting up permanent establishments

The profits of such companies are normally regarded as arising within the home country and do not therefore qualify for the special treatment

available for profits arising abroad. In some cases, however, profits may be deemed to arise abroad under some special concept. The United States, for example, treats profits from exports as foreign earnings if title to the goods passes abroad. This is particularly important in the case of Western Hemisphere trade corporations since the relief from United States tax can be obtained without any liability to foreign tax arising if arrangements are made to pass title in exported goods in a 'tax haven'. This scheme must, in fact, come perilously close to infringing the export incentive clause of international agreements.

Companies which set up permanent establishments, e.g. branches or depots, abroad

British companies are subject to tax on the profits of such establishments unless they qualify as O.T.C.s. If they cannot so qualify they are at a disadvantage as compared with companies in:

(i) Countries which grant complete exemption in such cases, e.g. Hong Kong, South Africa, Canada, Australia and France, or countries which exempt the profits but take them into account in determining the rate of tax payable on other income (in the case of companies charged at a flat rate this is equivalent to complete exemption), e.g. the Netherlands and Switzerland.

(ii) Countries which grant exemption from some but not all taxes, or which charge tax at reduced rates, e.g. Italy, Belgium, Denmark and U.S.A.

(iii) Countries which charge tax only on remittances, e.g. many Commonwealth countries.

Companies which operate abroad through local subsidiary companies

British companies are liable to tax on dividends received if the subsidiary is managed and controlled locally and no relief is obtainable under the O.T.C. scheme. If the subsidiary is controlled in the United Kingdom all its profits are taxable unless it qualifies as an O.T.C., and the parent company is exempt in respect of dividends only if it also qualifies as an O.T.C. Where O.T.C. qualification is not possible British companies are at a disadvantage as compared with companies in:

(i) Countries which grant complete exemption in such cases, e.g. Hong Kong, South Africa, Canada, France, the Netherlands, Luxembourg, Switzerland and Finland.

(ii) Countries which grant exemption from some but not all taxes or which charge tax at reduced rates, e.g. Italy and Belgium.

(iii) Countries which charge tax only on remittances, e.g. many Commonwealth countries.

What Should Be Done?

The network of bilateral double taxation agreements which has been built up during the past twenty years or so, and the reliefs granted unilaterally by many countries, indicate that it has been accepted internationally that the country from which income is derived has the prior right to tax that income. If another country levies a tax on the same income it should give credit for the tax paid in the country of origin. It seems likely, therefore, that the long-term solution to these problems lies in the acceptance of the principle that the country of origin has the sole right to tax the income. This is not likely to come about, however, for many years, although the process may be accelerated in Europe as a result of the closer harmonization of taxation laws within Common Market countries.

Meanwhile, under present United Kingdom legislation, the key to the problem so far as most British companies are concerned lies in the question as to whether they can qualify as O.T.C.s. When overseas trading is carried on through branches or depots, it is normally practicable so to arrange the operations that qualification is possible. This can cause distortion of normal commercial transactions and the qualifying conditions should be modified in the light of experience gained since the scheme was introduced.

This form of trading through branches is, however, virtually obsolete in most countries. Where operations are on such a scale that some form of local organization is necessary, national susceptibilities and competitive trading conditions make it essential that subsidiaries should be formed under the laws of the overseas countries and that they be managed and controlled there. The businesses then become closely identified with the national background and the full co-operation of local interests can be obtained.

It is difficult to understand, therefore, why companies which qualify for relief as O.T.C.s while they trade overseas through branches should be denied relief when they convert those branches into locally controlled subsidiary companies in order to fight intensifying competition.

There is no doubt that taxation factors have seriously hampered the efforts of United Kingdom enterprises in foreign markets and have caused many profitable trading and investment opportunities to be taken up by foreign companies instead of United Kingdom companies. The removal of the O.T.C. anomaly would help to remedy this state of affairs but it may be that more drastic action will become necessary.

Education for the Profession

THE NEW ZEALAND SCHEME

by ROY SIDEBOTHAM, B.A.(Com.), A.A.C.C.A.
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IT is perhaps appropriate, at a time when the report of the Parker Committee has aroused some controversy, to consider the arrangements made for the education of accountants in other countries, and to see what lessons, if any, might be drawn therefrom. In this context, the situation in New Zealand is of particular interest; in a country whose institutions are peculiarly British (indeed, some of them are more British than Britain's), the arrangements for the education of accountants could hardly be more different from those in England and Wales.

Professional Examinations

The profession in New Zealand has the advantage of being organized in a single professional body, the New Zealand Society of Accountants, which has a statutory monopoly of professional practice and of the use of the designations 'Public Accountant' for members in practice, and 'Registered Accountant' for members in industrial, commercial or governmental employment. It is thus possible for the system of education for accountancy to be planned by a single professional authority, responsible to the community for the maintenance of high professional standards and for the provision of adequate numbers of qualified men.

The Society admits students to membership after five years' professional experience (three for university graduates), and after passing the following examinations: Accounting I; Accounting II; Accounting III; Commercial Law I; Commercial Law II; Auditing; Economics; Trustee Law; Secretarial Practice.

Accounting I, II and III and Commercial Law I and II are progressive stages. This excepted, the units may be taken in any order, and any number up to five may be taken at one time. The examination for a unit may consist of several papers. The total syllabus is comprehensive, covering much the same ground as that of the examinations for membership of The Institute of Chartered Accountants in England and Wales. It differs from those examinations mainly in the division of the material into nine units as compared with an Intermediate and a Final examination.

The Society does not itself conduct its qualifying examinations, and never has done so. Administrative responsibility for the examinations has for many years rested with the University of New Zealand. When this university was wound up on December 31st, 1961, responsibility for the examinations passed to the University Grants Committee. Examiners are nominated by the Society, some being practising accountants, others university teachers. This arrangement, besides relieving the Society of the administrative work of conducting the examinations, provides for their conduct by an authority expert in examination practice, with experience in many fields, and ensures that the examinations are strictly a test of merit and are not suspect of being an exclusionary bar to qualification.

Education for Accountancy

Instruction for the professional examinations is provided by correspondence schools, technical colleges and the universities. The correspondence schools, which have a high reputation, serve some students in the main centres, but their major usefulness is in training students in the country districts. Some of the technical colleges are very good, but all suffer from staff recruitment difficulties. Teachers' salaries are not high enough to attract many accountants from their practices. The Society and the universities back up the work of the correspondence schools and technical colleges by providing seminars and lectures in some of the provincial towns. University sponsored week-end schools in country areas are in great demand.

By far the greater part of the Society's students

who live in the main cities, are taught in the four universities, the University of Auckland, Victoria University of Wellington, Canterbury University in Christchurch and Otago University in Dunedin, which provide courses for the Society's examinations as well as for their own degrees. It is the usual thing for a clerk, seeking instruction for the professional examinations, and without any intention of taking a degree, to attend at his local university. A large number of the students in each of the university departments of accountancy are 'professional' and not 'degree' students.

Additionally, however, the degree structures at the universities contain subjects corresponding to the professional examination units. Thus the B.Com. degree at Victoria University requires passes in the following:

English, *or* a modern foreign language, *or* Maori studies; Accounting I and II; Economics I and II; Commercial Law I.

Four subjects chosen from the following list, of which one must be *either* Economics III *or* Accounting III: Economics III; Accounting III; Auditing; Advanced Management Accounting; Commercial Law II; Arts or Science units provided for the degrees of B.A. or B.Sc.

Students who include Accounting I, II and III, Commercial Law I and II, Economics I and Auditing, or any of these subjects in their degrees are credited therewith by the New Zealand Society of Accountants also, and need sit only the remaining units of the professional examinations to qualify. Not surprisingly, many students read for the B.Com. degree before completing their professional qualifications.

Advantages of the System

Because of the close similarity between the prescriptions, it has been possible for arrangements to be made for joint examining of some professional and degree units, the same paper being set for both, the examiners being selected from panels nominated by the Society and the universities.

Thus, the universities are not merely a part of the system of education for accountancy, they are its main prop. About 900 students registered at Victoria University for accountancy units in 1961 – more than the total accountancy registrations at the English universities combined.

From the point of view of the Society these educational arrangements have many advantages. The close relation which exists with the universities grades accountancy as a learned profession. This confers some advantages of status. Of more practical moment, it ensures the recruitment of a reasonable share of the best products of the schools. Schoolmasters who do not expect their best children to go to university are unusual. Parents who, thirty years ago, would have considered it beyond their means to send their children to college, now regard university education as their right. The children themselves are looking for jobs with standing; for professions with adequate educational facilities; for the social opportunity which membership of a university brings. At seventeen years of age the Victoria Rugby XV exerts a bigger pull than the Accounting I classes! It would be surprising if correspondence courses did not seem a little dull by comparison.

These recruitment factors are not to be underestimated. A substantially higher proportion of school-leavers enters the universities in New Zealand than in Britain. The Society could not afford to miss its share.

Practitioners as University Lecturers

From the point of view of the universities, the close link with the profession has many benefits. It brings keen and ambitious students to university studies. Many practising accountants take a share, on a part-time basis, in the teaching of the students, bringing with them their experience of practical conditions and up-to-date methods, and providing introductions to opportunities for the full-time staff and advanced students to pursue research in industry and commerce.

Accounting research in New Zealand is co-ordinated and directed by a board of research upon which members of the Society and of the universities sit together. The universities are active in promoting post-graduate studies for qualified men. Courses ranging from full-time work for M.Com. and Ph.D. degrees, to week-end schools in electronic data processing, are available to members of the profession.

The propriety of accountancy as a university subject is no longer challenged in New Zealand. A chair of accountancy has been established at each of the four universities (they are all occupied by accountants) after pressure by the Society, supported by business and industrial organizations. In general, accountancy is accepted in the universities as a proper subject for study there, and in the profession the universities are regarded as the proper place for the study of accounting.

The New Zealand system of education for

accountancy is quite strikingly different from that in England and Wales. It could hardly now be adopted in Britain. New Zealand is a young country. Although its institutions are modelled on the British pattern, they lack the rigidities of the cloying attachments of history; the articling system, for instance, so fundamental to accountancy practice in Britain, has never taken root in New Zealand. The universities, too, being newer, are in many ways more ready to keep abreast with changes in the direction of the demand for learning.

New Zealand's experience of co-operation between the profession and the universities is not entirely irrelevant to possible future developments in Britain, however. It at least illustrates some topics of current controversy in England.

The crude facts of university development rates are as true in England and Wales as they are in New Zealand. More and more young people are expecting, and will receive, university education. As for the New Zealand Society of Accountants, so for the British professional bodies, it is not a matter of option. If the standard of the profession is to be maintained, large numbers of university graduates must be recruited.

It is sometimes suggested that the increased flow of graduates might come from the faculties of arts and science, and that it is better that prospective accountants read some subject other than accountancy at the university. There is no reasonable doubt that a man who takes his first degree in classics, and subsequently qualifies in accountancy, would be better educated than an accountant whose first degree is in commerce. Such is the effect of learning. The more – and more diverse – a student's reading, the more mature his mind. It is also reasonable to assume that a solicitor would be the better for a first degree in literature; a doctor might benefit from beginning his studies with a degree in history; an architect might profit from early studies even in accountancy. But this is not a practical proposition for large numbers of students. In rare instances it might be achieved, but for most people life is too short for the lengthy study required for advanced qualification in two subjects.

One would not expect the best of the graduates of arts and science faculties to be drawn to accounting. Not unreasonably, good science graduates usually become scientists. Good arts graduates, too, have been in high demand since the war, and are offered many prospects not beset by the daunting necessity of professional qualification. One can really only expect to get accountants in any quantity from universities which teach accounting. Apples do not grow on pear trees.

It is often suggested that accounting is not a suitable subject for university education, and not infrequently it is by members of the profession themselves that their subject is thus decried. Accountancy, of course, is a practical subject, and practical experience is essential before professional qualification. Yet medicine, law, engineering, architecture, education and others are equally practical, and all are established university disciplines. The question of practical experience is for the professional body to decide before admitting an applicant to membership. The task of providing the candidate with the education necessary to benefit from his experience must necessarily be delegated to a teaching organization. There is no reason why university teaching should be more, and there are some reasons why it might be less, 'theoretical' than correspondence course tuition.

The Profession's Duty to the Universities

Much argument on these topics centres on the question of what the profession can, or can not, get out of the universities. Little, if any, comment has been recorded about what duty the profession owes to the universities. The universities stand at the apex of the educational system. They are charged with training the minds of the leaders of future society. It might be expected that the accountancy profession would expect to be an important force in that society, whence it might be argued that the profession has a responsibility to ensure that the significance of its subject is not lost in the universities. British economists are sometimes accused of failing to grasp the realities of accounting and business life. This is hardly surprising, considering how few of them had the opportunity to read accounting during their own degree studies, and considering the tiny accountancy departments established at the British universities charged, among other things, with making their contribution to university thought.

The educational system of New Zealand would not be appropriate in Britain. Histories and circumstances are too different. It might be hoped, however, that one result of the deliberations following the publication of the report of Mr Parker's committee would be a realization in the profession of the services the universities could give, and perhaps even of the duty accountancy owes to the universities.

Control of Overheads

by H. H. NORCROSS, F.C.W.A.

WISE control of overhead costs can do much to help a business to face the future with confidence. But in this field, as in many others, to acquire true wisdom is not easy. Overhead costs tend to grow more rapidly than sales volume and a superficial view can suggest that radical pruning of overhead costs is needed. This may well be true, but the pruning of overhead costs, like the pruning of an apple tree, is a very skilled job. If a tree is pruned skilfully, it becomes healthier and gives a better crop. If the pruning is done badly, the tree may be ruined.

Factors Causing Growth of Overhead Costs

As part of the trend which is leading us to higher productivity and a higher standard of living, there are a number of factors which have caused, and will continue to cause, overhead costs to rise. Here are some of them:

(1) *Business units are getting larger* and the larger a company, the greater the need for statistics and control procedures of various kinds. In the very small business the manager can see with his own eyes much that is going on. To be equally well informed the man who is running a large company needs highly developed management accounting services which inevitably add to overhead costs.

(2) *Business units are getting more complicated.* In some of the most efficient and prosperous companies the management team has been so constructed that it comprises an astonishingly wide range of specialist services of various kinds. In the marketing field there are specialists in advertising, in market research, in statistics, in public relations and so on. In the production field are specialists in a variety of subjects such as quality control and ergonomics. Again, in the fields of financial control and long-range planning there are specialists in economic forecasting, management accounting, electronic data processing and so on.

(3) *Production processes are becoming more highly mechanized.* This is significant in various ways. Higher capital investment is required for the machinery, and the higher the investment the more important it becomes to keep plant fully occupied. This in turn means that marketing must be so organized as to feed the plant with the necessary volume of orders. Some industries are already at the stage when those responsible for marketing policy must think on a global basis rather than on a national basis. Only by doing so can they hope for the volume of orders which will make it economic to install, and operate profitably, the most efficient plant. This also means that the purchasing, material control and production control organizations must be more highly developed so as to ensure a steady supply of material and components and a steady flow of production through the plant.

Paper presented at the British Institute of Management conference on 'Planning for Maximum Profits' held in London on January 11th.

(4) *Changes are taking place more rapidly.* The world in which we live is changing more rapidly than it has ever done and the pace of change is going to increase. There have been, and there will continue to be, big shifts in purchasing power. Manual workers in Great Britain have adopted standards of living which were those of middle-class people before the war. This has meant enormous changes in the industries affected by these changes in living standards – in the furniture, washing machine, motor-car and other industries. Further shifts in purchasing power and further changes in living standards are to be expected. These will involve not only shifts in purchasing power within our own country. There will also be big international shifts in purchasing power. Productivity in Japan, for example, has been rising so much more rapidly than in many other countries that her share of the world's purchasing power is growing and will continue to grow. Inevitably this will have an effect on the future pattern of world trade.

Changes are, however, not only due to marketing factors, they are also caused or accelerated by the development of new materials, new products and new processes. But because changes occur more rapidly it is necessary for a business to be equipped with the ability to adjust itself to changed conditions and to take advantage of them rather than be swamped by the tide of progress. And the need for change is very much greater than many companies seem to realize. How many companies in the food industry, for example, yet realize the long-term implications of the revolution that is going on in the retail distribution of food? How many manufacturers and wholesalers of food products have yet made adequate plans to change their marketing methods to meet the problems of today and tomorrow? To meet such problems it is necessary to increase overheads and to have specialist staff, and to use independent consultants who have skills in recognizing the need for changes, in planning for them, and in introducing changes.

Due to these and other factors, for a business to remain competitive and profitable it is inevitable that overhead costs should continue to rise. Some managers and some accountants I meet sigh nostalgically for the past when their life was simpler and overhead costs lower. But even if we could turn the clock back we could only go back to the 'pick and shovel' era by going back to the lower standards of living of those times. These trends, however, should not be used as an excuse for waste and inefficiency in overhead expenditure. As Sir Ewart Smith has said, 'High overheads are inevitable in an efficient business, but high overheads are not necessarily a sign of efficiency'.

Control Technique

Waste and inefficiency in overhead expenditure can creep into a business slowly and almost imperceptibly and systems of overhead control should be based on a clear understanding of this. I would put in a strong

plea for fairly highly developed methods of budgetary control of overheads. The accountancy methods should be so designed as to make this possible. We need appropriate information about overhead costs and we need it frequently and promptly.

The total overhead costs of a business can be considered as a cube. If we slice the cube in one direction we get the overhead costs analysed as between the sources of overheads – as between indirect wages, salaries, electricity and so on. If we slice the cube in another direction we see how the overheads relate to the various departments and functions of the business. For overhead control to be effective, particularly in the larger companies, some delegation of control is essential and this second 'slicing' is an aid to this. If we slice the cube in the third direction we see an assessment of the overhead costs of the various products. Management accounting should be so planned that overhead costs can be dissected in these three ways, but it is of great importance that those who are responsible for organizing the management accounting should realize that they are 'living in a glass house'. The main purpose of management accounting is to stimulate other departments to greater efficiency. So, it is important for the management accounting department to set a good example and not only provide an adequate service but also adopt efficient methods in its own office.

Setting and Challenging Overhead Budgets

Flexible budgetary control has much to commend it. Under this system a basic overhead budget is set for, say, a year in advance. This basic budget is related to the anticipated volume of sales and production for the year. The budget plan also includes provision for adjusting the overhead budget, up or down, if the actual level of activity is higher or lower than the level on which the basic budget was set. The application of this pattern of thinking must be made with judgment. The degree of adjustment required in the budget will vary from item to item. Salaries, for example, would be less affected than indirect material by a change in volume.

Regular reports are then issued to various levels of management. These show the actual overheads and may compare them with

(*a*) past periods;
(*b*) basic budget;
(*c*) adjusted budget;
(*d*) lowest previous costs.

Successful use of control methods of this type demands that the line managers should fully understand the information which is fed to them and should be cost conscious in the true sense of the term. This is primarily a matter of developing the right attitude of mind amongst these people; a determination to spend money wisely.

One of the essentials of an effective overhead control system is the comparison of the cost of each overhead item with a budget of what that cost ought to be.

Sometimes a sensible and usable budget can be set by relatively simple methods. The underlying pattern of thinking can be illustrated quite easily. I have, on a number of occasions, referred to what I call 'the wash-leather test'. Anyone who has used a wash-leather in washing a motor-car will appreciate that it can be used many times before it needs to be replaced. Relatively simple tests will show that one leather should be able to be used for, say, forty times before it needs to be replaced. Any company with a fleet of vehicles can, from this information, set a simple budget for the usage of wash-leathers. If it has fifty cars which are each washed on average forty times a year, it should use about fifty wash-leathers a year. I suggest you apply this 'wash-leather test' in your own companies. You are probably in for a shock. Wash-leathers are useful for other things apart from washing the company's cars! Men are not likely to be so careful with the company's wash-leathers as with those they have bought for their own use at home! If this simple test suggests, for example, that the annual expenditure on wash-leathers could be cut by over 50 per cent, what scope for economy exists in the remainder of the overheads?

The extension of this pattern of thinking into other overhead items can, however, be a very much more complicated affair. What, for example, should the budget be for the cost of the grinding wheels used in an engineering business? Here we run into the study of a whole range of variables. The size, shape, grit and grade of the grinding wheels to be used; the supervision, selection and training of grinding machine operators; the selection of the optimum running speed; the determination of the optimum frequency for 'dressing' the wheel; the planning of production in such a way that grinding wheels do not have to be removed from the grinding machines until their useful life has been exhausted; the decision as to how much metal to remove by grinding and how much to remove in earlier operations. Indeed, the range of variables may be so great, and the technical problems so complex, that it may be highly profitable to use both a skilled production engineer and a statistician to discover the scope for economy, to advise on the optimum methods of operating, and to set an appropriate budget.

But it is clearly undesirable to apply continuously to all overhead items a programme of study to this depth to discover the optimum expenditure. Some items in the overhead budget are more appropriately set by more rule of thumb methods. I see no objection to some budget items being set on the basis, 'Let us try to reduce this item by 10 per cent next year. At the end of the year, let us review our experience and decide whether to set budgets for future years on a somewhat more scientific basis'.

I do, however, favour a 'moving spotlight' method of approach to the study of overheads. For some period of time, say six to twelve months, special study may be given to indirect labour costs. The line

managers, the work study department and the management accounting department may, for this period of special study, devote an abnormally high proportion of their time to examining indirect labour costs, discovering scope for economy, and revising the overhead budgets in the light of their fresh knowledge and experience. The 'moving spotlight' may then move on to some other item such as, for example, the cost of scrap and waste. All or most of the items in the overhead budget should be probed and challenged in turn in that way.

Work for a Study Group

Particularly in a large, complex organization, this task of probing and challenging items in the overhead budget may be beyond the capacity of any one man or even any one department. Sometimes there is much to be said for setting up a special study group to deal with some aspect of the problem. The study of indirect labour costs may, for example, lead into a number of different fields – factory layout, material handling methods, methods of recruiting, training and paying indirect labour, and even perhaps into the field of product design and rationalization. A study group established to probe into indirect labour costs should, therefore, be given appropriate terms of reference – not so narrow as to miss the opportunities for economy which may only come from big thinking, and not so wide that the study group fails to make effective progress.

It is of great importance that the control of overheads should not be blind or clumsy. I have, unfortunately, seen many cases where overhead control has been applied badly on a 'penny wise and pound foolish' basis. This is very likely to happen when the people responsible for the details of the overhead control system are unaware of some important aspect of company policy or do not appreciate its significance.

True economy is not merely a narrow-minded refusal to spend money. It involves not only the avoidance of waste but also imaginative and creative expenditure on services which add to a company's long-term prosperity. This in turn requires that the control of overhead costs should be based on, and geared to, company policy.

A company may have evolved at board level a bold plan for expanding total output and increasing the company's share of the total market. This plan may involve increasing aggregate sales at a compound rate exceeding 30 per cent a year. Production and marketing arrangements may have been co-ordinated to this overall objective but its achievement may be prevented or delayed if the people responsible for the control of overheads do not appreciate that the purse strings must be temporarily loosened to enable this rapid expansion to take place. Abnormally high training costs may have to be incurred to train the additional labour; the marketing budget, both as a cost per year and as a cost per unit of sale, may have to be greatly increased; and these increases in training and marketing costs may be a small price to pay for the increase in total profits which the plan will yield. Sound control, then, requires that it be geared to the overall policy. It also requires an appreciation that on some occasions the cost of achieving something, although abnormally high, may be less than the cost of failing to achieve it.

It does not necessarily follow that the items which form the largest proportion of total cost should be given the lion's share of management's attention. For example, I know companies where direct material costs loom very large and yet the scope for economy through material substitution, better buying and better material utilization is not very great. It has been my experience, however, that most companies find it profitable to give even more attention to the study and control of overheads than would appear desirable from the proportion which overheads bear to total costs. Even, for example, in a business where material costs are over 80 per cent of total costs and overheads only 15 per cent, it may still be desirable to give more attention to the control of overheads than to the control of material.

But as overheads tend to form a bigger and bigger proportion of our total costs – and the general trend is towards reducing direct labour costs and increasing overheads – then the study and control of overheads which is already important will become even more important.

SEVENTY-FIVE YEARS AGO

FROM The Accountant OF FEBRUARY 26TH, 1887

Extract from a paper entitled 'Defalcations, and how to prevent them', by F. R. Goddard, F.C.A.

The great desideratum to be aimed at both by principals and clerks is to obtain all the information requisite to make an audit thorough and complete, and at the same time to obtain this information in such a manner as not to fret or irritate those with whom they are brought into contact. They should also endeavour so to go about their work as not to leave on the minds of the persons whose accounts they are examining the feeling that they are in any way pariahs or suspects. In fact, an Auditor's clerk, if he will but recognise the fact, ought to be a diplomatist.

In taking a retrospective view of cases where losses and troubles have arisen, I think it could be proved that in nine cases out of ten it has been solely the carelessness and want of accuracy of clerks engaged upon the work, which have afforded the loophole to fraud. In many cases, clerks to my knowledge have allowed to pass, on the most trivial explanation, transactions which bore on the face of them the evidence either of fraud or of deceit.

If the younger and rising members of our profession will take these remarks seriously to heart, they will find that not only will it benefit them from a financial or salaried point of view, but what is more important still, it will add materially to their advancement and promotion in the profession. . . .

Weekly Notes

COST ACCOUNTANTS' EXAMINATIONS

IN the December 1961 examinations of The Institute of Cost and Works Accountants, a total of 1,923 candidates sat for the whole or part of the Final examination. Of these, 339 successfully completed the examination; 66 passed Part A only, and 338 passed Part B only.

Mr G. C. W. Klage, of London, gained First Place and was awarded the S. Laurence Gill Prize. The Leverhulme Prize for Advanced Cost Accountancy was won by Mr Donald Warboys, of Leeds, and the Donald L. Moran Prize for Management (Factory and Distribution) was won by Mr William Spicer, of Gourock, Renfrewshire.

In the Intermediate examination there were 3,182 candidates, of whom 74 passed Parts I and II; 408 completed their Intermediate by passing Part II, and 637 passed Part I only. The First Place and George Russell Memorial Prize were won by Mr P. N. Wickranasuriya, of London.

The names of the successful candidates who completed the Final examination, together with a full summary of results, appear elsewhere in this issue.

SIZE AND EFFICIENCY

A REPORT was published this week called 'Efficiency Comparisons within Large Organizations' under the joint auspices of the British Institute of Management and the Centre for Interfirm Comparison.[1] The report is the result of the setting up by seven large companies of a special research study group which met under B.I.M. auspices. The companies were as follows: Distillers Co Ltd; Shell Petroleum Co Ltd; Tube Investments Ltd; Metal Box Co Ltd; The Bowater Paper Corporation Ltd; Imperial Chemical Industries Ltd; and Courtaulds Ltd. There is a faint touch of irony at present in the appearance of both Courtaulds and I.C.I. in a research undertaking calling for mutual co-operation.

The object of the group was to discover a means of encouraging each section of large companies to adopt new ideas and improved techniques which had proved their value in other sections of the company. The conclusion of the report is that the 'use of efficiency comparisons' between the operating units of a large concern is a most effective way of doing this. The idea is clearly a development of a conception of interfirm comparisons which has received so much attention in the last year or two.

The report suggests that efficiency comparisons should cover returns on capital, profits, costs, use of assets, productivity and the factors affecting these different headings. The booklet gives a detailed analysis of these factors and indicates the corresponding 'control' figures which should be compared. The report goes on to say that as well as providing an efficiency control scheme for big companies, the techniques can be used for relatively small ones.

The basic idea is to apply the ratio techniques already widely acceptable by forward-looking managements to help in defining and measuring the 'concept of efficiency'. There is clearly a need for standardization of definitions within the organizations adopting such comparative techniques and the booklet deals with these problems as well.

[1] Price 17s 6d from the British Institute of Management

ADVICE FROM THE PROFESSIONS

A PROPOSAL for the overhaul of Government structure to give professional men a direct voice in government was advocated this week by Mr A. M. Holbein, chairman of the Educational Policy Committee of the City and Guilds of London Institute. He was giving the first of three Cantor lectures on the influence of the professions on economic life before the Royal Society of Arts.

He said that practitioners of science and technology should take part in the preparation of such policy. It was not sufficient to have only a few advisors attached to Government departments. He thought that a supra-organization of professional bodies able to impress upon the Government and the public alike the collective views of the professions should be established.

Mr Holbein was speaking mainly in terms of the engineer but the idea will have some appeal in all professions since it gives particular weight to the influence of the expert.

The idea is a somewhat revolutionary one. It presupposes not only that all professional men and organizations have the time, inclination or capacity to formulate opinions on matters of high policy but that they can formulate a view to which all of the bodies concerned can subscribe. This in itself would be no mean attainment. The amount of time and committee work involved would, however, be enormous. Beyond the problem of getting a common viewpoint from all professions, is the problem of persuading those in power that an expert can take a broad and balanced view because he is an expert. This proposition is by no means self-evident. While there would be agreement in all professions that specialized and expert knowledge and experience provide a basis in giving a professional view, most professional men would agree that their professional background is only an essential starting point, intellectual discipline or body of knowledge which helps them to acquire a broader view when they reach the higher echelons of professional and management work.

The second of the three Cantor lectures is to be given today (Saturday) on 'The scientific professions', and the third on 'The Commercial

professions' will be delivered by Mr A. H. Ensor, a director of Lloyds Bank, on March 5th. Tickets of admission may be obtained from the Secretary of the Royal Society of Arts.

SHIPPING AND THE COMMON MARKET

THE possibility of concerted action against flag discrimination is ventilated in the annual report of the United Kingdom Chamber of Shipping published this week. Having lost any hopes it had of the United Kingdom Government being able to make an effective protest alone, it sees some hope of success in the European Common Market.

If Scandinavia were to come into the E.C.M. along with Britain (bringing with them the substantial mercantile marine of Sweden, Norway and Denmark) the Chamber thinks an effective protest could be organized. Altogether this would bring in thirteen maritime nations to speak with one voice on the subject.

In a debate in the House of Commons last week, the Minister of Transport said that proposals had been worked out for combined action by European shipping nations against United States Governmental interference with foreign shipping operations. The United States practises flag discrimination while refusing to allow other countries to apply discrimination against United States shipping. The proposals for concerted European action are to be placed before a conference in London on March 7th of the maritime powers concerned.

LOSING CONFIDENCE MORE SLOWLY

THE latest inquiry on business sentiment published last week by the Federation of British Industries showed that those replying to the questionnaire were less optimistic about the business situation than they were four months ago, though they felt less strongly about this on balance than on the last occasion. For the first time since October 1958 more firms reported a fall in output than an increase and consistent with this has been a further increase in the number of firms reporting that they are working below full capacity with an easier labour supply. On the other hand there are signs of an improvement both in performance and prospects of the export trade.

A continued fall in investment intentions is showed by replies to questions on authorizations of expenditure on buildings and on plant and machinery. Of those reporting a change in investment intentions there was a balance of 28 per cent in the case of buildings saying that they expected to authorize less expenditure in the next twelve months than in the previous year. In the case of machinery there was a balance of 16 per cent in the same direction. For the first time since the middle of 1959 industrial stocks are being run down. Twenty-nine per cent of firms report that stocks of raw materials have dropped over the past four months and 21 per cent that they have increased. The same trend is apparent in work in progress but stocks of finished goods appear to have continued to increase.

There is continuing evidence that costs have continued to rise and 54 per cent of the replies report that profit margins are lower. In general, shortages of orders or sales are now the main hindrance to an expansion in output. Despite the rise in costs more firms report a fall rather than an increase in the level of prices at which export orders have been booked in the past four months but prices compared with those of competitors abroad continue to be the main factor limiting export business. The continental markets appear to be more buoyant than other export markets.

WIDER E.C.G.D. COVER

IT was announced on Monday that an additional facility is being offered by the Export Credits Guarantee Department to policyholders selling on three or more years' credit.

The percentage of the price covered by E.C.G.D. has been progressively raised to the present level of between 85 and 95 per cent, and already compares favourably with that offered by any credit insurer overseas. In future this percentage may be increased to the full 100 per cent on insured transactions involving three or more years' credit once they have run satisfactorily for two years from date of acceptance. This will apply to existing or future contracts, whether covered under comprehensive or specific policies.

No charge will be made for the extra cover, and the endorsements extending the cover will be issued at E.C.G.D.'s discretion at the two-year point. It is intended to provide the facility – to be known as the Full Percentage Facility – wherever E.C.G.D.'s experience is satisfactory up to that point, both in the relations between buyer and seller and in the Department's general experience in the market concerned. In such cases the exporter will be sure of receiving payment in full, provided that he plays his part in any necessary recovery action if things do go wrong. Markets for which E.C.G.D. is withholding cover on new business or is operating a specially-reduced percentage of cover will be excluded.

It is anticipated that this new facility will be of assistance to exporters obliged to sell on lengthy credit terms, more particularly if they are somewhat pressed for finance. Its application in a particular case will depend, of course, on the form of the arrangements between the individual exporter and his bank for the finance of such business.

CUT IN B.E.A. SERVICES

BRITISH EUROPEAN AIRWAYS anticipate losses on certain routes owing to the increased competition from British independent airlines.

Services to Budapest, Belgrade and Corsica will be affected. On internal lines the frequency of certain

Scottish routes will be reduced, though this will not mean a fall in the capacity available. Orkney, Shetland and North of Scotland will be the main areas affected.

There is a certain time lag in all this. The independent services cannot start until April 1st, 1963, and they are in any case subject to appeal by B.E.A. If B.E.A.'s appeal against the licences given to independent airlines is successful, it will be prepared to reconsider its decision but this reconsideration cannot take effect during the summer of 1962.

If these subsidized services in Scotland are reduced the Corporation will be writing off an investment of about £3 million. There is bound to be an outcry about the cut in the frequency of services in the Highlands, but it may be more to the point in the long run that competition between the public corporation and independent lines may offer a better and cheaper air service between industrial centres in this country and between these centres and corresponding centres on the Continent. The Toothill report on the economic development of Scotland laid great stress on the need to improve communications between the industrial areas of Scotland and those in England and the Continent.

This is My Life . . .

by An Industrious Accountant

CHAPTER 112

MY old friend George came to my office last week. George, it may be remembered, was the able chief accountant who at the ripe age of 47 found himself summarily sacked from his post because he and the new chairman were temperamentally incompatible. It happens more often than is commonly supposed. Most experienced chief accountants are at least as able and keen as their job requires, and are rarely faulted under this heading. They run a far greater risk of disaster due to personality friction. In this case, George's quick reactions and alert energy fell foul of a slow-minded, jealousy-prone introvert. The axe fell ruthlessly; he was out at almost a moment's notice. The chairman probably didn't realize how murderous a sudden dismissal can prove.

George had it tough. The cheque in lieu covered his financial worries fairly adequately; it was the mental strain that wore him down. He first called round to talk to his business friends, and they encouraged him breezily: 'Nothing quite in your line just at the moment, of course; don't find top-level jobs growing on every tree, you know, but it shouldn't be long.' They all promised they'd keep their eyes skinned for him, make inquiries, pass the word around. 'Best of luck now, old chap, good hunting.' His morale had been shaken somewhat; the encouragement was fine; he was to need it as time went on.

He studied the advertisements, too. The leading Sunday newspapers had impressive vacancies, though sales and production types took priority; however, there were a few financial controllers and accountants wanted. *The Accountant*, too, had several pages of vacancies; he wrote hopefully. An epitome of the imposing record of his career was appended to each letter; his achievements were undoubted; he looked a good bet. The trouble was that 'date of birth' item. Should he put it in early and perhaps torpedo his chances right away? Or later, having made a preliminary good impression? You see, most of these adverts said 'age 35–40 preferred', some even mentioned 43 as the upper limit; none looked for a senile 47. . . .

The days went by. Many of his applications were acknowledged with courteous regrets, some few went unanswered; the age figure was the stumbling block. His friends contacted him with suggestions about rumours of various impending vacancies; none of these materialized. In each case a good understudy had been trained up already. George's grin was becoming a little haggard.

The weeks went by. He had interviews where he was promised consideration later, but which led nowhere. The postman's daily delivery became an ordeal as he sifted the letters under his wife's gaze. She smiled bravely, but her face looked strained . . . 'No, darling, nothing this time.' He didn't seem to see a lot of his old associates these days. Some of them didn't stop when they met, either, they just waved; they found it easier that way. He stopped less often himself; it wasn't very pleasant. . . .

I brought him in to talk to our own personnel director, but there was no easy answer. There was simply no vacancy at anything like his level. True, he had received some low-grade offers; but George wasn't keen on taking too junior a post; as he said, it was hardly fair to employers when he fully intended to leave for something better soon . . . or fairly soon. He mightn't have much option before long. Money was getting tight. Being completely out of a job was a disastrous handicap; it carried a stigma in strangers' eyes and every week made it worse. 'Pension complications, you know, old chap . . . not quite fair to our present staff . . . nearly 48, eh? H'm.' Two senior interviewers I know told me bluntly that if George was appointed he'd be a potential rival for their own jobs; self-preservation was the first law of nature. Soon he was looking more than his age; hope deferred maketh the heart sick.

Now, however, things have changed, he told me, and he's more cheerful. He's landed a good job at last. Though, as he said, it's a pity it had to be so far abroad; but 48, he remarked philosophically, is apparently too old to start again at home.

Finance and Commerce

A.B.E.

THIS week's reprint is from the first accounts of Associated British Engineering Ltd to be issued since the appointment to the board on June 5th, 1961, of Mr S. R. Hogg, D.S.O., M.C., F.C.A., who was at once made chairman. The accounts, it will be noted, are to March 31st, 1961, the annual meeting at which they were presented being held on February 14th, last. The board regrets the delay which, Mr Hogg explains, was occasioned entirely by the need to deal with a number of complicated matters arising from the reorganization.

'It will be understood', he says, 'that to present accounts in which many matters still required to be adjusted and finalized to march in line with the actual current position would have been of little value and might well have, in fact, been misleading.' The delays and the reasons for them have been reported by the company's solicitors to the Board of Trade.

An idea of the difficulties is conveyed by one of Mr Hogg's references to Free Piston Engine Co Ltd, a member of the A.B.E. Group. The financial position of A.B.E. was complicated by an unagreed current account with Free Piston for work done, partly unpaid. This has now been taken care of in the reorganization and as regards the amount of the items in dispute, both companies have agreed to accept Mr Hogg's decision. 'I am accordingly engaged in an arbitration,' Mr Hogg says.

Minimum of Loss

Apart from the general reorganization of the group, Mr Hogg's particular concern is to 'extricate the Free Piston Engine Co from the present unsatisfactory position with a minimum of loss'. Free Piston holds patent rights under a licence granted by a United Kingdom company which, in turn, holds them from a French company. But, says Mr Hogg, 'the way of the pioneer is always hard'. There were neither the resources, technical skill nor experienced staff to cope with early troubles.

Free Piston's principal outstanding business is a contract, approaching £2 million, involving the supply of a 36-megawatt electricity generating plant for a Singapore power station – the largest free piston installation in the world. 'Technical difficulties have become immense' and it is from this position that Mr Hogg is endeavouring to extricate the company.

Losses 'taken care of', he points out, amount to £248,748. 'These losses really arise because the acquisition of manufacturing and installation techniques has proved more costly than was anticipated, and design changes have seriously delayed the completion of the contract.' What the final loss will be must, of course, await events.

Reorganization

Action in the reorganization has included the recent sale of the company's holding of 200,000 7 per cent preference shares in Henry Meadows Ltd for £40,000 cash. These shares stood in the accounts at *nil* but 'in order that the balance sheet may be as up to date as possible, credit has been taken by revaluing the investment at £40,000, since converted into cash'.

Further action to keep the company afloat was the recent public offer of the preference and ordinary shares of The Bergius-Kelvin Co Ltd, 'in every respect a sound and profitable undertaking' – with priority for Associated British shareholders in the allotment. This brought £300,000 into the coffers of the parent company and the money has provided working capital for other subsidiaries or has enabled them to meet liabilities which had to be paid to keep them in business. It has also provided a reserve for interest and parent day-to-day running.

What of the future? 'As I see it,' says Mr Hogg, 'in about eight months' time, when some assessment can be made as to the profits which may be expected for 1962–63 onward, in total, from the group, and in detail as to dividends which could be paid to the parent company by the subsidiaries, it is contemplated that there should be a scheme of arrangement, writing down the ordinary capital from 5*s* units to, say, 2*s* or 2*s* 6*d* units, this being the only way in which the issued share capital can be brought into line with the capital actually employed in the group.'

Woolworth Turnover

'TURNOVER for the year proved to be a new record in the history of the company', states Mr F. I. Chaplin, new chairman of F. W. Woolworth & Co Ltd. What the figure was, however, is not stated. This defect gave one of the national dailies its main City column headline for the day. Comparison was made with other leading companies that do provide a sales figure and, not least, with the American Woolworth parent.

It does look rather curious to see the president and executive vice-president of the American Woolworth on this board giving approval to accounts which in their own country positively would not do. Maybe it is a case of when in Britain, doing as Britain does. Many British companies, however, are taking the initiative in publishing sales figures, among them, Marks & Spencer. It ill becomes Woolworth to be out of the running.

Mr Chaplin remarks on the presentation of the consolidated profit and loss account this year in columnar form. He hopes that 'this more simple way of showing the various figures will appeal to you'. The first consideration in company reporting is the extent of the information provided and there is now not the slightest doubt that the public mind in the world of investment expects a turnover figure. As with other accounting advances which this journal has encouraged and recorded, the commonplace publication of turnover figures will come.

Statement 1

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 1961

CONSOLIDATED APROPRIATION ACCOUNT

for the year ended 31st March, 1961

Statement 2

ASSOCIATED BRITISH ENGINEERING LIMITED AND ITS SUBSIDIARY COMPANIES

1960					1960			
£			£	£	£			£
	Trading Losses less Trading Profits of the Group after charging all working expenses including those noted insec below					**Balances brought forward. 1st April 1960**		
(*Profit*) 225,143	Losses less Profits for the year		34,328		24,792	Holding Company		43,249
64,768	Losses of the Free Piston Engine Company Ltd. ..		248,748		91,732	Subsidiary Companies		111,194
—	Other Exceptional Losses and Provisions (including depreciation £13,946)		366,217		116,524			154,443
(*Profit*) £169,375				649,293				
		1960	1961		—	**Amount transferred from Capital Reserve** (*Note 1*)		129,415
	Bank and other Interest	£49,108	£64,409		45,000	**Amount transferred from General Reserve of Parent Company**		120,000
	Auditors' Remuneration	4,071	5,717		161,524			403,858
	Directors' Emoluments—Holding Company Fees	322	400					
	Management Remuneration and other emoluments	13,415	5,855		(*Profit*) 11,294	**Group Net Loss for Year,** per Statement 1		709,034
	Compensation to Directors for loss of Executive Office ..	4,500	—		(*Profit*) 172,818	**Adverse Balance**		305,176
		£71,416	£76,381					
						Dividend Paid less Income Tax (*Note 3*)		
	Provisions for Depreciation				(*Year*) 18,375	Preference at 6 per cent for the half-year to 30th September, 1960		9,187
12,016	Freehold and Leasehold Land and Buildings		10,559					
74,173	Plant and Machinery, Equipment, Vehicles, etc. ..		75,061			**Adverse Balance carried forward. 31st March 1961**		
1,800	Patents and Manufacturing Rights		2,003		(*Profit*) 43,249	Holding Company—Adverse	£438,116	
87,989			87,623		111,194	*Less:* Subsidiary Companies—Profit	123,753	
15,000	Interest on Unsecured Loan Stock		15,000		(*Profit*) £154,443			£314,363
21,282	Contributions to Staff and Works Superannuation Funds		20,830					
124,271			123,453					
3,178	*Less:* Investment Income Received		2,196					
121,093				121,257				
(*Profit*) 39,282	Group Loss before Taxation			770,550				
	Less: Taxation Recoverable							
(*Payable*) 30,007	Income Tax Recoverable less Amounts Payable		23,797					
(less) 2,822	Provisions no longer required		38,274					
(*Payable*) 27,185			62,071					
(*add*) 803	*Less:* Overseas Taxation		555					
(*Payable*) 27,988				61,516				
(*Profit*) £11,294	**GROUP NET LOSS**			£709,034				

Note:—Statements 1 and 2 are to be read in conjunction with the notes appearing on page [236].

Statement 3

CONSOLIDATED BALANCE SHEET

as at 31st March, 1961

ASSOCIATED BRITISH ENGINEERING LIMITED AND ITS SUBSIDIARY COMPANIES

1960 £		*Authorised* £	*Issued and Fully Paid* £
	CAPITAL OF ASSOCIATED BRITISH ENGINEERING LIMITED:		
500,000	6 per cent Cumulative Preference Stock, £1 units ..	750,000	500,000
1,100,000	Ordinary Stock, 5s. units	1,250,000	1,100,000
1,600,000		£2,000,000	1,600,000
	RESERVES:		
86,034	**Capital** (*Note 1*)		—
	Revenue:		
120,000	*General Reserve*		—
154,443	*Unappropriated Profits*		—
1,960,477			1,600,000
—	*Deduct:* Adverse Balance on Profit and Loss Account		314,363
1,960,477			1,285,637
78,850	**RESERVE FOR FUTURE TAXATION, 1961/62** ..		59,250
300,000	**5 PER CENT UNSECURED LOAN STOCK, 1964/74**		300,000
	CURRENT LIABILITIES AND PROVISIONS:		
855,395	Bank Overdrafts (£286,679 secured: *1960*—*£342,798 secured*)	1,084,285	
29,374	Loans, secured	17,726	
714,922	Trade and Other Creditors	734,117	
10,387	Customers' Deposits on account of Contracts ..	18,332	
185,720	*Amounts due to Associated Company*	—	
14,821	Sundry Provisions	195,428	
58,928	*Current Taxation*	—	
14,287	Bills Payable	40,409	
1,883,834			2,090,297
£4,223,161			£3,735,184

1960 £		£	£
	FIXED ASSETS:		
	Works, Plant, etc. (as summarized in Statement 5)		
692,103	Freehold and Leasehold Land and Buildings	622,690	
369,501	Plant and Machinery, Equipment and Motor Vehicles	309,329	
5,415	Payment on Account	2,121	
12,602	Patents and Manufacturing Rights	12,420	
37,069	Loose Plant, Tools, Patterns and Drawings	22,392	
1,116,690			968,952
	Investments:		
1,773	Trade (Quoted) at Cost (Market Value £3,380: *1960*—*£3,350*)	1,711	
—	Trade (Unquoted) at amount since realized	40,000	
25,593	Unquoted Shares, at Cost less amounts written off	16,024	
27,366			57,735
1,144,056			1,026,687
	CURRENT ASSETS:		
2,368,727	Stock and Work in Progress at the lower of cost and net realisable value	1,998,853	
265,921	*Less:* Payments received on Account	225,563	
2,102,806		1,773,290	
940,388	Trade, Other Debtors and Prepayments	876,453	
—	Income Tax Recoverable	19,519	
4,243	Bills Receivable	21,227	
31,668	Balances at Bankers and Cash in Hand	18,008	
3,079,105			2,708,497
£4,223,161			£3,735,184

On behalf of the Board,

S. R. HOGG
OWEN R. GUARD } *Directors*

NOTE:—This Balance Sheet should be read in conjunction with the Notes appearing on page [236].

Statement 4 | **BALANCE SHEET** *as at 31st March, 1961* | **ASSOCIATED BRITISH ENGINEERING LIMITED**

1960 £		*Authorised* £	*Issued and Fully Paid* £	*1960* £		£	£
	CAPITAL:				**INTEREST IN SUBSIDIARY COMPANIES:**		
500,000	6 per cent Cumulative Preference Stock, £1 units ..	750,000	500,000		Shares at the book value of the Net Assets excluding undistributed post-acquisition profits, *less* amounts		
1,100,000	Ordinary Stock, 5s. units	1,250,000	1,100,000	2,488,077	written off	1,784,879	
1,600,000		£2,000,000	1,600,000	130,237	Advances, *less* amounts written off	175,820	
				363	Dividends, *less* Income Tax, declared since 31st March, 1961	3,216	
	RESERVES:			2,618,677		1,963,915	
86,034	Capital (Note 1)		—				
	Revenue:			346,474	*Less:* Amounts payable	417,579	
120,000	*General Reserve*		—	2,272,203			1,546,336
43,249	*Unappropriated Profits*		—				
1,043,103			1,600,000		**FIXED ASSETS:**		
—	*Less:* Adverse Balance on Profit and Loss Account		438,116		**Trade Investments:—**		
1,849,283			1,161,884	1,773	Quoted Shares at Cost (Market Value £3,380: *1960—£3,350*) 1,711		
300,000	**5 PER CENT UNSECURED LOAN STOCK 1964/74**		300,000	—	Unquoted Shares at amount since realised 40,000	41,711	
	CURRENT LIABILITIES AND PROVISIONS:				**Leasehold Property, Motor Vehicles and Equipment, etc.,** as summarised in Statement 5:		
9,365	Bank Overdraft and Loan	238,854		2,670	*Leasehold Property*	—	
29,746	Sundry Creditors	24,313		13,103	Motor Vehicles and Equipment, etc.	11,334	
161,281	*Amount due to Associated Company*	—		17,546			53,045
200,392			263,167		**CURRENT ASSETS:**		
				4,339	Sundry Debtors	6,007	
				33,972	Income Tax Recoverable	117,672	
				21,615	Balances at Bankers and Cash in Hand	1,991	
				59,926			125,670
£2,349,675			£1,725,051	£2,349,675			£1,725,051

On behalf of the Board,
S. R. HOGG,
OWEN R. GUARD } *Directors.*

NOTE: This Balance Sheet should be read in conjunction with the Notes appearing on page [236].

Statement 5

FIXED ASSETS *as at 31st March, 1961*

ASSOCIATED BRITISH ENGINEERING LIMITED AND ITS SUBSIDIARY COMPANIES

Annexed as a Statement to be read in conjunction with the Balance Sheets (Statements 3 and 4)

1960 £		*Freehold and Leasehold Land and Buildings* £	*Plant, Machinery, Equipment, Motor Vehicles, etc.* £	*Patents and Manufacturing Rights* £	*TOTAL* £
	CONSOLIDATED BALANCE SHEET (Statement 3)				
	I.—Assets:				
1,045,674	At cost	130,871	893,951	22,358	1,047,180
396,732	At Directors' Valuation in 1951, plus additions at cost	125,752	162,500	—	288,252
465,116	At Professional Valuation in 1953, plus additions at cost	479,757	—	—	479,757
1,907,522	**Total Works, and Other Properties, Plant, Equipment, Patents, etc.**	736,380	1,056,451	22,358	1,815,189
	II.—Depreciation Provisions:				
833,316	Aggregate Provisions as at 31st March, 1961	113,690	747,122	9,938	870,750
1,074,206	**III.—Written Down Values** as at 31st March, 1961	£622,690	£309,329	£12,420	944,439
5,415	**IV.—Payments on Account of Capital Expenditure**				2,121
	V.—Loose Plant, Tools, Patterns and Drawings:				
37,069	At Directors' Valuation				22,392
£1,116,690	**Total per Consolidated Balance Sheet** (Statement 3)				£968,952
	ASSOCIATED BRITISH ENGINEERING LIMITED (Statement 4)				
25,995	**I.—Assets** at cost	—	17,249	—	17,249
10,222	**II.—Aggregate Depreciation Provisions** as at 31st March, 1961	—	5,915	—	5,915
£15,773	**III.—Written Down Values** as at 31st March, 1961	—	£11,334	—	£11,334

NOTES ON THE ACCOUNTS

Annexed as a Statement to be read in conjunction with the Accounts.

1. CAPITAL RESERVE (Statements 2, 3 and 4)

The movements during the year have been as follows:—

	Group £	*Holding Company* £
Balances as at 1st April, 1960	86,034	86,034
Add: Surplus on sale of fixed assets	15,939	—
Surplus on revaluation of unquoted Trade Investment	40,000	40,000
	141,973	126,034
Less: Provision to cover anticipated losses on realisation of fixed assets	12,558	12,558
	129,415	113,476
Less: Transfer to Profit and Loss Account	129,415	113,476
Balances as at 31st March, 1961	—	—

2. CAPITAL COMMITMENTS (Statement 3)

At 31st March, 1961, there were contracts outstanding of a capital nature amounting to approximately £12,500 (*1960: £21,500*) for which no provisions have been made in these Accounts.

3. PREFERENCE DIVIDEND (Statements 2, 3 and 4)

The dividend on the Preference shares for the half-year to 31st March, 1961, amounting to £15,000 (gross) was in arrears at 31st March, 1961.

4. CONTINGENT LIABILITIES (Statements 3 and 4)

(a) The contingent liabilities at 31st March, 1961, were as follows:—

(i) Group £86,710 (*1960: £75,117*), in respect of bills discounted and bank guarantees.

(ii) Holding Company £132,848 (*1960: £80,144*), mainly covering guarantees given on behalf of subsidiary companies in respect of bank overdraft facilities and commercial contracts.

(iii) Since 31st March, 1961, a guarantee up to £85,000 has been given by the Holding Company to the City Council of Singapore in respect of the completion of a contract by Free Piston Engine Company Ltd.

(b) No provision was considered necessary for the contingent liability of a subsidiary company under a substantial contract which is not yet completed.

5. DOMINION CURRENCY (Statements 1, 2, 3 and 5)

The rates of exchange for the Canadian Company and for the African Companies have been taken at the rates ruling at the date of acquisition of the fixed assets, and at the rates ruling on 31st March, 1961, for current assets.

6. These Accounts cover trading for 52 weeks (*1960: 53 weeks*).

CITY NOTES

AGAINST a none too impressive background of economic, industrial and political developments the stock markets continue to hold up reasonably well. The Federation of British Industries' none too optimistic industrial survey and the news of sharply reduced earnings by a number of big-name industrial companies have been virtually brushed aside by an equity market which investors consider has discounted the worst.

It is even becoming fashionable to compare the current pitch of markets with that ruling in 1957 with the comforting reminder that 1957 was followed by recovery in 1958 and boom in 1959. The 1959 boom was politically influenced by the General Election and there is a tendency to look for a repetition of 1958 and 1959 this year and next, or the year after.

History, however, rarely repeats itself accurately in stock markets and underlying conditions now are rather different from those ruling in 1957. The ordinary investor, all the same, is rarely a seller. He prefers to hold on optimistically even though on the face of things optimism seems hard to justify.

This investment stoicism combined with steady buying by unit trusts, which continue to pull in small investment funds on an impressive scale, provide the combination which tends to keep the equity markets on a relatively even keel.

This side of the Budget the development of any firm trend one way or the other seems unlikely. A continued equity mark-time is probable over the next few weeks.

RATES AND PRICES

Closing prices, Wednesday, February 21st, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3½%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Dec. 15	£5 6s 4·83d%	Jan. 19	£5 6s 2·35d%
Dec. 22	£5 7s 3·18d%	Jan. 26	£5 4s 10·06d%
Dec. 29	£5 8s 0·72d%	Feb. 2	£5 4s 4·93d%
Jan. 5	£5 8s 7·81d%	Feb. 9	£5 8s 0·74d%
Jan. 12	£5 8s 6·03d%	Feb. 16	£5 9s 10·81d%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5 11/16–5¾%
Fine Trade Bills		3 months	5 11/16–5¾%
3 months	6¾–7½%	4 months	5 11/16–5¾%
4 months	6¾–7½%	6 months	5 11/16–5 13/16%
6 months	7–8%		

Foreign Exchanges

New York	2·81 7/16–½	Frankfurt	11·25¼–½
Montreal	2·94⅞–95	Milan	1746¾–7¼
Amsterdam	10·18–½	Oslo	20·04⅜–05
Brussels	140·10¼–¾	Paris	13·79⅛–⅜
Copenhagen	19·38½–¾	Zürich	12·18¼–⅜

Gilt-edged

Consols 4%	61⅝	Funding 3% 59–69	83 9/16
Consols 2½%	40¼	Savings 3% 60–70	79 5/16
Conversion 5½% 1974	92⅜	Savings 3% 65–75	71⅛
Conversion 5% 1971	91⅛	Savings 2½% 64–67	86⅜
Conversion 3½% 1969	85 3/16	Treasury 5½% 2008–12	87 1/16
Conversion 3½%	55½	Treasury 5% 86–89	85
Exchequer 5½% 1966	98 9/16	Treasury 3½% 77–80	71⅛
Funding 5½% 82–84	91⅛	Treasury 3½% 79–81	69⅛
Funding 4% 60–90	89 7/16	Treasury 2½%	40¼
Funding 3½% 99–04	60	Victory 4%	92½
Funding 3% 66–68	84⅜	War Loan 3½%	55¼

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Training of Accountants

SIR, – Whatever improvements are made by the Council of the Institute, it is highly probable that the major ones will be long-term. Would it not be a good thing to set up as soon as possible an *Education* Committee replacing the presentation Examinations Committee? The latter has a somewhat narrow and specialized implication.

Such an Education Committee could formulate a policy or programme of advance for implementation as circumstances allowed. Its outlook would not be restricted to half a year at a time as, with the best will in the world, must largely be the case at the moment. And it could be broadly based to include, by co-option, educationists and others as well as Council members.

Yours faithfully,

DONALD COUSINS.

Solihull, Warwicks.

SIR, – I was very interested in the article reproduced in your issue of February 10th, with regard to the training of accountants, and your suggestion elsewhere in your issue that readers may like to comment on this.

I, no doubt along with many other practising accountants, feel that the existing arrangements for the training of accountants are quite inadequate and out of date, and fresh thinking is urgently required.

However, there is one point which I would particularly like to draw attention to; in the article which you printed appears the sentence:

> 'Higher education was becoming no longer the preserve of money and privilege, but the right of all those who could benefit from it, and State aid was available for those who wanted to stay on to the sixth form and to go to university'.

I think a great disservice would be done if it were to be indicated to hundreds of students that they had the opportunity of a university training as part of their training for the career of accountant. At the present time the universities are able to accept only about one-fifth of the applications for places, although the majority of the applicants are well qualified for university life.

It should therefore be made perfectly clear that whilst this is a very desirable ultimate aim, at the present time it is not a practicable possibility.

Yours faithfully,

J. G. MEDCALF, F.C.A.

Peterborough.

SIR, – I am now 75 years of age and having retired I hope I shall not be accused of advertising or of grinding a personal axe. When I first completed the manuscript of *Higher Control* in 1934 and sent it to the publishers, their manager came over to my office to discuss it. He said, 'This is a very interesting book, Mr Rose, but I cannot quite make out what it is supposed to be about.' To remedy this somewhat drastic criticism, I wrote the chapter on the discussion between Mr Thomas, a fictitious consultant, and Mr Robinson, his client, in which Mr Thomas took Mr Robinson's normal accounts to pieces and rearranged them on the control basis, so that the latter could see what was going on. This satisfied the publishing manager and the chapter has been a feature of the book all through its six editions.

When I started to revise the text for the seventh edition, I wondered whether this imaginary interview was not now out of date, and I took the advice of a number of friends as to whether it should be dropped. One or two suggested putting it into an appendix, but the general opinion was that it should be kept in. Whilst I was making up my mind, however, I received a letter from the owner-manager of a small business in a university town in the Midlands, saying that he was in difficulties and asking for advice. He enclosed his previous year's accounts, audited by a local firm of accountants. On examining these, I found that apart from the actual figures – naturally – they were identical in every respect in their lay-out with the original accounts of 'Mr Robinson' twenty-seven years ago. The same combinations which had to be sorted out, the same block assembly of expenses with no reference to categories, the same 'set-offs', the same item of 'wages' with direct, indirect and supervision all lumped together, in fact, everything upon which 'Mr Thomas' had commented unfavourably to 'Mr Robinson'. This is just one example from my experience.

What is the reason for this extraordinarily stubborn conservatism in the accountancy profession? Other callings progress – they search for new and better methods in their services and pride themselves on using the most up-to-date equipment and methods. What would one think of a doctor or a production engineer who still clung to the practices of thirty years ago? Yet the accountant, in whose hands lie the most important findings of the state of health of a business, still receives his training and is examined on the old stereotyped lines of a generation or two ago.

I know that efforts have been made to overcome this – as witness *Design of Accounts*, by F. Sewell Bray and H. L. Sheasby, which was published in 1943. I know that many of the larger firms using modern management methods have accounts which are admirably presented; but the point is that 89·4 per cent of the industrial undertakings in this country employ less than 250 people, and this vast reservoir of national prosperity is fed with accountants who have taken their qualifications with their training based upon methods of presentation of thirty or more years ago. It is fantastic.

It is not enough to point to the beautiful accounts which receive *The Accountant* Annual Awards; the companies concerned have developed their better methods on their own. It is on the basic training of the young accountant of today that the blame lies, and until the examinations for students of accountancy are completely overhauled and brought up to the requirements of modern industry and commerce there will never be any improvement.

It is a matter which ought to be faced for the honour of the profession. We talk glibly of improving industrial efficiency, but the profession which can do most to promote that efficiency apparently remains aloof and uninterested.

No matter how sound the basic principles of the system of accountancy training may be, they do not include at present any modern methods of presenting the final results to the managing director who urgently needs them for his general management policies. There must be at least fifteen young accountants who pass into industry or commerce for every one who joins a private auditing firm. Yet these young men have had no training in modern methods of presentation or the inferences to be drawn from what the figures show.

When will the accounting profession wake up to its responsibilities?

Yours faithfully,

T. G. ROSE.

Canterbury.

MORE HIGH QUALITY RECRUITS NEEDED

Lord Piercy's Comments at Cardiff Dinner

The South Wales and Monmouthshire Society of Chartered Accountants held their annual dinner at the Park Hotel, Cardiff, on February 16th and among the guests were the Rt Hon. Lord Piercy, C.B.E., Chairman, Industrial Finance Corporation Ltd; Mr P. F. Granger, F.C.A., President of The Institute of Chartered Accountants in England and Wales; the Lord Mayor of Cardiff, Alderman E. Ewart Pearce, M.B.E., F.C.A., J.P., and the Archbishop of Wales, Dr A. E. Morris. Mr Edgar T. Shepherd, F.C.A., President of the Society, was in the chair.

Lord Piercy proposed the toast of 'The Institute of Chartered Accountants in England and Wales', and stressed the need for more high quality recruits in the accountancy profession. 'With the profession being of such importance to the public and business life of the nation today, recruitment is a very important matter', he said.

What was essential was that the profession should have at least its fair share of men of intellect and confidence. Accountancy was not an overcrowded profession and men of the right type were scarce.

Recalling the history of the Institute, Lord Piercy said that men of the profession today had to be something of experts on company law and taxes. In the 1880s came the limited liability company and this brought into the work of the accountant a public aspect which was of the greatest importance. It was then that the accountant became the auditor, Lord Piercy added.

'Members at the Heart of Things'

Replying, Mr Granger referred to the modern world, where the pace of life had quickened and where the boundaries of knowledge were expanding every day.

It was the fortune of members of the Institute he said, to be at the heart of things, whether they were in practice in a large or small way, or employed in a large or small firm.

'Ultimately most business and professional activities end up in some sort of record of value. One of the problems besetting us today is that the symbols of value remain the same but the value tends to depreciate year by year; and of such is inflation.

'One of the queerest and most human aspects of inflation lies in the desire of almost all of us for more, even though when we get more we are no better off. The number of pound notes is vital but what they buy less important. It is a pity we cannot put this into reverse.'

The job today of members of the Institute, he declared, wherever they were and whatever they did, was to ensure the accuracy of the records. 'We are, if I may say so, dedicated to the true and fair view of the activities from which the records spring.'

This meant that, in preparing or auditing accounts for the shareholder or for the Revenue those accounts must be as accurate as they could be made, and must also give a proper view or impression in the mind of the reader.

Mr Granger suggested that this approach also applied to the many members of the Institute in industry. It was their job in whatever capacity they were serving to ensure that records, whether for boards of directors or for costing departments, were as accurate and correct as possible.

'There are certain items, such as stock valuation and so on, on which there can be wide differences of opinion about the proper valuation and treatment.

'There is also the underlying effect of inflation. I am stressing these matters because the increasing complexity of the affairs of this life, and the possibility of the Common Market, make it essential that we should know what we are doing and where we are going.'

The Parker Report

In recent months, said Mr Granger, there had been excitements at the Institute, and included among them had been the report on education and training for the profession, commonly known after its distinguished chairman as the Parker Report.

Mr Granger said the committee sat for some time and consulted many people before coming to its conclusions, some of which contained contentious matters. He went on:

'The report is now being considered and I cannot anticipate the conclusions of the Council, but speaking in my personal capacity I will say that there is in my own opinion no real substance in the view that we as a profession do not welcome university graduates.

'We want as many of the able young men and women from or through the universities as we can get. Obviously a profession as important as ours needs a constant recruitment of the best; and it must be remembered that when we recruit, we are not only producing members for practice but also in very large numbers for industry.

'We have recently appointed a committee to consider our relations and so on with the universities, and I have great hopes that good will come from its activities.'

Mr Granger said the various district societies were now sending in their reports on the small practitioner inquiry, and the report of the South Wales and Monmouthshire Society was included.

He thanked Mr Edgar T. Shepherd and his team, including in particular Mr Wilfred Jones, of Swansea, for all the care and trouble they had taken. He could not yet say anything about the findings but details would come in due course. The President added:

'All I can say is how grateful I am to the district societies for all the trouble that has been taken. I think that whatever happens as a result of the inquiry we shall all have learnt a lot about each other, and we shall have a better idea of each other's problems.'

Mr Shepherd proposed the toast of 'The Guests', and this was replied to by the Lord Mayor of Cardiff, Alderman E. Ewart Pearce.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

President's Luncheon

The President of the Institute, Mr Paul F. Granger, F.C.A., and the Vice-President, Mr Percy F. Carpenter, F.C.A., gave a luncheon party on Thursday, February 15th, at the Dorchester Hotel. The guests were: Mr F. J. Erroll, M.P., Mr Arthur J. Driver, Mr V. C. Ellison, Mr Peter S. Noble, Sir Thomas Padmore, Mr C. R. Sopwith, Mr Charles Peat, Sir Harold Gillett, Mr Guy Densem and Mr Alan S. MacIver.

PROFESSIONAL NOTICES

MESSRS H. F. ADAMS & Co, Chartered Accountants, of Dilworth House, 190 Broad Street, Birmingham 15, announce that Mr D. C. BENNETT, A.C.A., and Mr A. I. SECKER, A.C.A., both of whom have been with the firm for some time have been admitted into partnership as from November 1st, 1961. The firm's name will remain unchanged.

MR C. P. PERRIAM, A.C.A., announces that he is continuing the practice of A. L. & S. HONEY, Chartered Accountants, of 3 Palace Gate, Exeter, previously carried on by the late MR W. N. HOYTE, F.C.A. The style of the firm will remain unchanged.

MESSRS E. WOOLLEY & Co, Chartered Accountants, of Dilworth House, 190 Broad Street, Birmingham 15, announce that Mr D. C. BENNETT, A.C.A., and Mr A. I. SECKER, A.C.A., both of whom have been with the firm for some time, have been admitted into partnership as from November 1st, 1961. The firm's name will remain unchanged.

Appointments

Sir Harold Gillett, Bt, M.C., F.C.A., has been appointed a director and chairman of the Clydesdale Supply Co Ltd, with effect from January 26th, 1962.

Mr John C. Burgess, M.A., F.C.A., has been elected chairman of David Bridge & Co Ltd.

Mr J. R. Charlton, F.C.A., A.C.W.A., has been appointed a director of Vickers Sperry Rand Ltd, while retaining his position as secretary and controller of the company.

Mr Eric Holt, F.A.C.C.A., A.C.I.S., has been appointed to the main board of Dunlop Rubber Co Ltd.

Mr K. R. Kemp, F.C.A., secretary of Smith & Nephew Associated Companies Ltd, has been appointed to the board of the company.

Mr E. G. Padmore, F.C.A., secretary of Pool, Lorrimer & Tabberer Ltd, has been appointed a director of the company.

Mr W. G. A. Russell, F.C.A., has been appointed deputy chairman of Harris & Sheldon (Holdings) Ltd.

Mr John W. Tidswell, F.C.A., has been appointed a director of George Bray & Co Ltd.

Mr K. T. Roberts, A.C.A., secretary of Eugene Ltd, has been appointed a director of the company.

IN PARLIAMENT

Trustee Investments Act: section 15

Mr STRATTON MILLS asked the Chancellor of the Exchequer what action he proposes to take following the two recent judicial interpretations of section 15 of the Trustee Investments Act, in the cases of *In re Kolb's Will Trusts* and *In re Porritt's Will Trusts* on the subject of investment, to clarify the position.

Sir E. BOYLE: I understand that an appeal is being made in one of these cases. It would, therefore, be premature for me to comment.

Mr STRATTON MILLS: Does not the Chancellor consider that the judgment of the judges in both these cases, in spite of what my right hon. and learned friend has said, have taken a rather limited view of the Variation of Trusts Act, 1958, despite the assurance given in Committee on the Trustees Investment Bill by the former Solicitor-General?

Sir E. BOYLE: I know that a great deal of concern is felt about this matter. I think that at the present time it would be premature for me to comment, as I have said.

Hansard, Feb. 13th, 1962. Oral Answers, col. 1101.

Schedule A

Mr W. CLARK asked the Chancellor of the Exchequer what has been the product of Schedule A income tax on owner-occupiers for the last five years.

Mr BARBER: The yield of Schedule A on owner-occupiers for the five years 1956–57 to 1960–61 is now estimated as £49 million, £51 million, £52 million, £50 million and £52 million respectively. These figures include surtax.

Mr W. CLARK asked the Chancellor of the Exchequer if the first £15 of net annual value for owner-occupiers had been exempted, by what amount the product of Schedule A would have been reduced for each of the past five years.

Mr BARBER: About £20–£25 million in each year.

Mr W. CLARK asked the Chancellor of the Exchequer if the statutory repairs allowance for owner-occupiers had been double, by what amount the product of Schedule A would have been reduced for each of the past five years.

Mr BARBER: About £12 million each year.

Hansard, Feb. 13th, 1962. Written Answers, col. 1253.

ASSISTANT OFFICIAL RECEIVER APPOINTMENT

The Board of Trade announce that Mr Dennis Eric Dolman has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Cardiff and Barry, Blackwood, Tredegar and Abertillery, Newport (Mon.), Pontypridd and Ystrady-fodwg and the Bankruptcy District of the County Courts of Swansea, Aberdare, Aberystwyth, Bridgend, Carmarthen, Haverfordwest, Merthyr Tidfyl, Neath and Port Talbot. The appointment took effect on February 1st, 1962.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

List of Members

The newly published *List of Members* of The Association of Certified and Corporate Accountants shows that membership of the Association at November 30th, 1961, numbered 11,006.

In addition to the usual alphabetical and topographical lists of members the new edition, which extends to 657 pages, contains a supplementary section which gives full particulars of members admitted to the Association in October and November 1961. The names of the Council and committees are also given, together with information about the district societies and student societies, and particulars of objects, examinations, membership, etc., of the Association.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

Intermediate Prize

The Committee of the Liverpool Society of Chartered Accountants announces that its Intermediate Prize will be awarded to the candidate who, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, gains the highest place in the Institute's Intermediate examination held in November last. The prize will take the form of a book to be chosen by the President of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination and should be sent to the Hon. Secretary, The Liverpool Society of Chartered Accountants, B22 The Temple, Dale Street, Liverpool 2, within two calendar months after the announcement of the results of the examination.

READING AND DISTRICT GROUP OF CHARTERED ACCOUNTANTS

Luncheon Meeting

The annual luncheon of the Reading and District Group of Chartered Accountants is to be held on March 20th, at the Caversham Bridge Hotel at 1 p.m. The guest of honour will be the Deputy Lieutenant of the Royal County of Berkshire, Lieut-Gen. Sir Miles Dempsey, G.B.E., K.C.B., D.S.O., M.C., who will reply to the toast of 'The Guests'.

The Hon. Secretary of the group is Mr D. J. L. Cook, A.C.A., 2 Waverley Court, Southcote Road, Reading.

BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

At a recent meeting of the Students' Group of the Belfast Society of Chartered Accountants, Dr William McComish, PH.D., M.SC.(ECON.), B.COMM., Senior Lecturer in the Department of Industrial Administration and Work Study of the Belfast College of Technology, spoke on the subject 'Work study and the accountant'.

NEW HIGHER AWARD IN BUSINESS STUDIES

New advanced full-time and sandwich courses for young people aiming at a business career are to be introduced in colleges of commerce and other technical colleges next September.

In an administrative memorandum issued on Friday of last week, the Minister of Education gave details of a Higher National Diploma in Business Studies to be awarded for the successful completion of a two-year full-time or three-year sandwich course; the decision to introduce the new diploma was announced by the Minister last July. The courses are intended for young men and women of 18 or over who already hold an Ordinary National Certificate or Diploma in the subject, or who have left school with the G.C.E. at advanced level. The standard reached at the end of the courses will approach that of a university pass degree.

The arrangements now announced allow colleges wide freedom in framing their schemes for the courses. They can make the course a general business one if local needs would be better served in that way, but they are also free to make a particular branch or aspect of business the main theme of the course.

The courses can be arranged so as to allow ample time for the study of commercially useful foreign languages, a point of particular importance for the export trade. It is also hoped that business firms with overseas branches or other overseas connections will make it possible for their student employees taking the course to acquire some of their associated practical experience with organizations abroad.

The announcement of these new courses means that a wide range of part-time, full-time and sandwich courses leading to ordinary and higher national awards is now available. The other courses within the range were introduced in the colleges last September, and there has been an encouraging response to them. Figures for actual enrolments are not yet available, but 128 Higher National Certificate courses, 308 Ordinary National Certificate courses, and 110 Ordinary National Diploma courses were offered by 220 colleges during the session.

Many leading professional bodies have signified their willingness to grant exemption from certain of their own examination requirements to holders of the

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new awards. At present, The Association of Certified and Corporate Accountants, The Institute of Cost and Works Accountants and The Chartered Institute of Secretaries are among the bodies granting exemption for certain Intermediate examination subjects for holders of Ordinary National Certificates or Ordinary National Diplomas.

THE BRITISH COUNCIL
Annual Report

The annual report of The British Council contains a comprehensive account of the Council's work during 1960–61. Total expenditure amounted to £6,372,500 compared with £5,868,000 in 1959–60.

An analysis of the Council's estimates and accounts shows that gross expenditure on overseas regional services totalled £2,968,768 (£2,478,591), home regional services £940,546 (£846,789), and educational services £498,285 (£482,921). During the year under review, the Council administered the expenditure of £977,000 on behalf of trainees under the Colombo Plan and other technical assistance schemes.

Under the United States Third Country Training Scheme, for which the Council is the national supervising agency, 253 overseas visitors came to the United Kingdom from twenty-three countries including four teams sent by the Indian Productivity Council, to study cost accounting (*The Accountant*, October 8th, 1960). The Council's specialist courses, the report states, continue to remain popular in subjects such as taxation and the City of London.

THE BRITISH COMPUTER SOCIETY

The next two meetings of The British Computer Society will be held on February 27th and March 21st. The first meeting has been designed to illustrate and discuss the activities of the Society's study groups and reports will be made on 'Study groups in general'; 'Input and output'; 'Production control' and 'Advanced programming'. At the meeting on March 21st, Dr D. J. Howarth, of Ferranti Ltd, will give an address on 'The Atlas supervisor' which will be an account of an improved type of master programme.

A two-day conference organized jointly with The Northampton College of Advanced Technology on 'Automation programming languages: current experiences and future prospects' will be held from April 17th–18th. Further particulars may be obtained from the secretary, The British Computer Society, Finsbury Court, Finsbury Pavement, London EC2.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in December 1961

FINAL EXAMINATION

PARTS A and B

First Place (S. Laurence Gill Prize): Klage, G. C. W., London

Aiyar, V. P. A., Hayes, Middx
Cartwright, D. B., Castle Bromwich
Chadha, S. N., Birmingham
Dempster, J. H., Stoke-on-Trent
Fortes, H. J., Cape Town
Hayward, R. F., Pinner, Middx
Holroyd, J., Pinner, Middx
Jotikasthira, D. M., London
Kutsoati, N. K., London
Marment, A., Chigwell, Essex
Minsky, J., Johannesburg
Mitcheson, G. MacP., Kingswood, Surrey
Mukhopadhyay, D. N., London
Norris, R. M., Port Elizabeth
Peebles, H. B., Gloucester
Porter, D. J., London
Ramchand, R., Kuala Lumpur, Malaya
Saldanha, P. J., Bombay
Smith, J. D., Hurstpierpoint, Sussex
Sutcliffe, P. O., Scarborough
Wink, J. D. T., London

128 candidates sat. Of these, 22 (as listed above) passed Parts A and B; 18 passed A only and 23 passed B only 65 candidates failed.

PART A (COMPLETING FINAL)

Alexander, R. E., Dublin
Allen, K., Darlington
Allen, R. E., Pinner, Middx
Baillie, J., Glasgow
Balasubramaniam, T. L., Madras
Bamford, A. G., Ilford, Essex
Bamford, G., Shaw, Lancs.
Banerjea, D. N., Calcutta
Banerjee, K. N., Howrah, India
Barnes, T. H., Heston, Middx
Bartlett, P., Nottingham
Baxter, G. N. B., Gloucester
Bell, G. M., Thornaby-on-Tees
Bennett, C. A., Bristol
Bertram, A., York
Betz, H. J., Port Elizabeth
Bevan, D. J., Solihull
Binney, R. J., Rotherham
Blair, D. D. W., Sevenoaks
Blastland, R., Belper, Derbys
Blenkinsop, T., Barnsley
Blincow, R. S., Gourock, Renfrews
Bone, M. T., Dundee
Bonnett, J., Baldock, Herts
Bown, M. W., Bristol
Bridson, J. M., Northwood, Middx
Briggs, J., Bradford
Brink, W. J. B., Johannesburg
Bristow, R. J., Colchester
Brock, J. T., Dublin
Brooks, D. J., London
Broster, W. G., Birkenhead
Brown, H., Harrogate
Bull, K. J., Edgware, Middx
Burchael, P., Dublin
Burnett, F. MacD., Glasgow
Bush, C. D., Lancaster
Byron, J. R., Upton, Cheshire
Campbell, A., Jacobs, South Africa
Cannon, B. J., London
Carnie, J. L., Edinburgh
Clarke, D. H., Redhill, Surrey
Clarke, R. W., Birmingham
Cockbill, G. J., Sutton Coldfield
Colburn, G., Port Elizabeth
Colley, B. R., Smethwick
Cotterell, P., Newbury
Cowgill, C. R., Bebington, Cheshire
Cox, A. G., Smethwick
Cracknell, G. F., Banstead, Surrey
Crahart, J. F., Hayes, Kent
Crasto, A. J. F. M., Bahrain

Crichton, A. McD., Port Elizabeth
Crighton, R. N., Dublin
Crossland, E. G., Sheffield
Crouch, J. W., Southampton
Crutchley, E. D., Gwelo, Southern Rhodesia
Curtin, T. A., Limerick

Dalglish, R. W., Harrow
Daniel, R. St. C. C., Lochgelly, Fife
Davison, J. E., Sheffield
Day, D. F. G., Stevenage
De, D., Calcutta
Deamer, F. G., Kampala, Uganda
Dearden, A. S., Edinburgh
de Klerk, J. N. D., Johannesburg
Dennis, J. W., Luton
Downes, A. J., Greenford, Middx
Dukes, R. A., London
Dunnicliff, D. G., Derby

Eales, W. F., Petts Wood, Kent
Edwards, F., Codsall, Staffs
Elson, M. J., Bristol

Flook, A. E., Welling, Kent
Foster, R. J., Derby

Gaskins, B. R., Gloucester
Gelstharp, P. T., Cambridge
Gill, G. L. J., Sandy, Beds
Gillbanks, J. H., Bristol
Glanister, E. W., Daventry
Glasspool, J. E., Portsmouth
Glendenning, C. F., Leeds
Goddard, T. I., Southampton
Govindarajan, R. V., Pimpri, India
Greenaway, M. A., Germiston, South Africa
Griffiths, F. H., Oxford
Gummer, M. P. G., Trowbridge, Wilts

Haines, J. K., Aldridge, Staffs
Halford, R. J., Leicester
Hancock, A., Sutton-in-Ashfield
Hardwick, D. H., Bexley, Kent
Harker, P., Brierley Hill, Staffs
Harris, P. Gravesend
Harris, R. W., Chatham
Hart, G. F., London
Harte, J. J., Mount Edgecomb, South Africa
Hassany, S. S., London
Hayhurst, W. R., Blackburn
Hebbard, G. J., London
Hembury, K. S., Bristol
Hempson, A. G., Arbroath
Hendy, J., Doncaster
Hetherington, R., Glasgow
Higgin, R., Rochdale
Hill, G., Keighley
Hollier, J., Brentwood, Essex
Howard, P. C., London
Howells, T. H., Burntisland, Fife
Hudson, G. Middlesbrough
Hughes, A. R., Poynton, Cheshire
Hyland, P. R., Maidstone

Islam, A. T., London
Iyer, R. R., Calcutta

James, J. C., Sanderstead, Surrey
Jariya, R. S., Bombay
Johnson, J. A., Manchester
Jones, K. R., Rochester, Kent
Jones, W. L., Princes Risborough, Bucks

Kadleck, O. F. Southsea
Kendell, J. M. Ruislip, Middx
Kersley, H. A., Newcastle, Staffs
Khanna, M. S., London
Kirk, G. B., Edinburgh
Kuriyan, A. J., Bombay

Lang, C., Birmingham
Lavin, G., Middlesbrough
Lawrence, N. F., Johannesburg
Lee, D., Chesterfield
Lewis, B., Cardiff
Lewis, P. A., Bristol
Lipman, E., Berkhamsted, Herts
Loose, C. J., Horsham
Lyne, R. M., London

McMillan, J., Paisley
McRae, D. T., Port Elizabeth
Mahal, B. S., Georgetown, British Guiana
Malik, M. N., Rawalpindi, Pakistan
Manley, G. K. Sale
Marshall, A. S., Leicester
Marshman, J., Crawley
Menon, N. K. R., Bombay
Mercer, J., Congleton, Cheshire
Meyer, L. W., London
Miller, T. B., Northampton
Moggs, C., Reading
Moore, F., Dublin
Morley, A., Leicester
Morrison, I., Larbert, Stirlings
Moxey, G. T., Birmingham
Murti, M. N., Jamshedpur
Mutch, B. N., Johannesburg

Neal, J. R., Crawley
Nelson, A. R., Coventry
Newman, T. W., Cardiff
Newton, J. W., Sutton-in-Ashfield
Norton, J. E., Retford, Notts

Ogley, J. E., Leigh-on-Sea
Orme, A. E., Watford
Orme, S., Ruislip, Middx

Padgaonkar, M. B., Croydon
Parry, J. I., Stafford
Pavier, N. W., Swansea
Payne, K. G., Derby
Peelo, J. W., Dublin
Penheiro, E. J., Caterham, Surrey
Percival, D. H. West Bridgford, Notts
Percival, J. C., London
Picken, M. H., Birmingham
Poole, D. B., Norwich
Pougnet, G. J., Durban
Price, A., Hull

Quail, N. W., Preston
Quartey, J. N.-D., London

Ramamurthi, C. S., Bombay
Raman, T. R., Bombay
Ray, B. K., London
Rengamani, S., Calcutta
Ridpath, B. L., Chatham
Riser, G., Manchester
Roberts, D. J., Birkenhead
Roberts, F., Birkenhead
Roberts, W. H., Durban
Roddis, J. R., Sheffield
Rogers, J. P., Gillingham, Kent

Saha, N. G., London
Schofield, D., Oldham
Sen, S. R., London
Shawcross, B. J., Manchester
Simpson, L. G. L., Port Elizabeth
Skinner, R. C., Bristol
Smith, E. F., Wigan
Smith, F. B., Greenford, Middx
Smith, K., Godalming, Surrey
Smith, P., Norwich
Southern, G. I. B., Cheadle, Cheshire
*Spicer, W., Gourock, Renfrews
Spindler, J., Leeds
Spivey, R., Leeds
Spraggon, T. D., North Shields
Stapleton, R. G., Pietermaritzburg, South Africa
Stayt, H. J., Oxford
Stephens, J. L., Birmingham
Subrahmanyan, R., Bombay
Suckling, G. A., London
Summerside, M. W., Sunderland
Symonds, N. M., Gloucester

Tattersall, R. K., Bolton
Taylor, R. J., Stockport
Taylor, W. F., Bristol
Tennyson, H. I., Sheffield
Thomson, A. McE., Glasgow
Thomson, I. R. S., Glasgow
Thornley, P. B., Derby
Thrush, B. E., Wolverhampton
Topp, A., Bedworth, Warwicks
Trafford, J. M. H., Chester
Turner, G. F., London

van Rheenen, W. C., Johannesburg
Vine, P. J., Buntingford, Herts

Wainwright, A. J. H., Basingstoke
Walker, C. J. M., Wotton-under-Edge, Glos
Walker, I. D., Rugby
Walker, L., Sheffield
Wallace, J. E. C., Montreal
Wallace, M. E., Pool-in-Wharfdale, Yorks
Wallace, M. J., Blarney, Co. Cork
Walsh, D. H., Eastleigh, Hants
Walton, J., Bath
Warner, R., Blackburn
Whalley, A. G. F. M., Stalybridge, Cheshire
Whitbread, Leamington Spa
White, C. J. R. U., Salisbury, Southern Rhodesia
White, J. K., Blackburn
Whittaker, E., Norwich
Wilby, S. A., Ruthin, Denbighs
Williams, B. C., Alnwick, Northumbs
Williams, B. L., Dundee
Williamson, Rebington, Cheshire
Wilmott, J. F. C.,
Wilson, S. A. L., Haverfordwest, Pembs
Winpenny, K. B., Middleton, Manchester
Woods, J., Maghull, Lancs
Woollard, P. W., Letchworth, Herts

Yates, M. M., Newcastle upon Tyne

Donald L. Moran Prize for Management – Factory and Distribution

684 candidates sat. Of these 243 (as listed above) passed; 441 candidates failed

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PART B (COMPLETING FINAL)

Advani, N. G., Calcutta
Amatt, K. V., Enfield, Middx
Arthur, A. J., London

Balkham, A. W., Guildford
Barbut, E. S., Banstead, Surrey
Bell, P. L., Reading
Bhattacharyya, S., Konnagar, India
Birch, L. H., Blackpool
Bonwick, A. E., Harrow
Bourne, M. J., Burton-on-Trent
Brazier, R. G., Wellington, Salop
Bruce, R. J., Glasgow
Burton, J., Urmston, Lancs

Carpenter, R. P., London
Chadwick, N., Rochdale
Clague, A. D., London
Crainer, G. S., Leeds
Cummings, J., Peterlee, Co. Durham
Currie, J. F., Prescot

Dalal, V. N., London
Daniels, S. G., Johannesburg
Davies, N. C., Hereford
Dorkin, B. L., Moseley, South Africa
D'Souza, L. A., Bombay

Gillespie, W. C., Glasgow
Glazer, H., Johannesburg
Gordon, A. P., Pinner, Middx

Gough, R. W., St Albans

Hagerty, G. D. G., Cheadle, Cheshire
Hamilton-Jones, F. S., Cardiff
Harbut, D. J., Uxbridge, Middx
Harris, R. J., Dublin
Head, G. T., Solihull
Hewitt, W. E., Redcliff, Rhodesia
Hoare, B. D., Birmingham
Hollingsworth, R. N., Sheffield
Humby, R. H. G., Southampton

Ingram, W., Darlington

Jarrett, F., Darwen

Kavarana, A. R., London
Keating, R. S., Luton
Keeler, D. J., Hong Kong
Khan, M. S., London

Leigh, D. A., Birmingham
Leverick, H., London
Lewis, G., Wolverhampton
Lobo, A., London

McGreevy, T. E., Glasgow
McHoul, J., Glasgow
Matthews, E. C., Rochester, Kent
Matthews, G. D., Wembley
Miller, J., Bolton

Narayanan, P. K., Bombay

Orrock, J. A. B., Barking, Essex

Parker, J. W., Maidstone
Patterson, R. C., Southampton

Rafferty, M. V., Dublin

Sadler, A. J., Dagenham, Essex
Saunders, D. A., Harpender, Herts
Scott, C. G. G., Swindon
Shead, D. A., Stanford-le-Hope, Essex
Sivapalan, P. Tellippalai, Ceylon
Smart, L. H., Luton
Stephenson, F. G., London
Sunter, S. K., Hamilton

Talukdar, N. K., Windsor
Tugnait, K. L., London

Vadhera, V. K., London

Walford, K. G., Sutton Coldfield
Waters, B. W., London
Wheeler, C. A., Barnet, Herts
Wishart, P., Ramsay, Castle Dougla
Kirkcudbrightshire
Wong, J. N., Salford, Lancs
Worsley, A., Wigan

126 candidates sat. Of these 74 (as listed above) passed; 52 candidates failed

Summary of Results

Grade	Passed Completing Examination	Passed Intermediate Part I only	Passed Part A only	Passed Part B only	Passed Total	Failed	Number of Candidates
Final							
Parts A and B	22	—	18	23	63	65	128
Part A (Completing Final)	243	—	—	—	243	441	684
Part B (Completing Final)	74	—	—	—	74	52	126
Part A (Only) ..	—	—	48	—	48	77	125
Part B (Only) ..	—	—	—	315	315	545	860
Total	339	—	66	338	743	1,180	1,923
Intermediate							
Parts I and II	74	130	—	—	204	259	463
Part I	—	507	—	—	507	922	1,429
Part II	408	—	—	—	408	882	1,290
Total	482	637	—	—	1,119	2,063	3,182
Grand Totals ..	821	637	66	338	1,862	3,243	5,105

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THE ACCOUNTANT

ESTABLISHED 1874

MARCH 3RD, 1962 VOL. CXLVI. NO. 4550

CONTENTS

Page

Essentials of Exporting 245

The Distribution of Capital Profits
by *M. J. Greener, B.A., A.C.A.* 247

The Accounting World 250

The Scope of Management Accounting
by *J. P. Wilson, F.C.W.A., F.C.I.S.* 252

Weekly Notes
Receipt Stamp Duty – Higher Steel Prices – Steel Company's Rate Assessment – Optimism on World Trade – South Africa's Decimalization Success – Northern Ireland Development – British Exhibition in Stockholm – Investment Club Progress – End of a Venture 261

This is My Life . . .
by *An Industrious Accountant* 263

Current Law 264

Finance and Commerce
Alenco Ltd – The British Oxygen Co Ltd – R. & G. Cuthbert Ltd – City Notes – Rates and Prices 265

Reviews 269

Leeds Business Efficiency Exhibition 272

Correspondence 275

The Institute of Chartered Accountants in Ireland
Meetings of the Council 277

Notes and Notices 278

Essentials of Exporting

WHENEVER Britain's export performance comes up for its perennial public airing, there is almost certain to be a host of voices raised in favour of special export incentives as the only sure remedy for improving the country's share of world trade in manufactures. Manufacturers and traders often complain that under conditions of high taxation at home and intense competition abroad there is little commercial inducement to brave markets in other countries in face of the complications and hazards inseparable from export trade.

Indeed, most of the arguments in favour of subsidies in Britain arise from a belief that British exporters are already at a substantial disadvantage, *vis-à-vis* other countries, when it comes to fiscal incentives, specially favourable credit facilities or other kindred encouragements. The question remains, therefore, whether this is a true picture of the situation today and whether the sort of export incentives employed overseas are so lacking in Britain as to defeat all but the most single-minded and altruistic of manufacturers?

It is comforting to learn from a recent report published by the Federation of British Industries[1], that most of these allegations are either completely out of date or exaggerate the real facts.

The working party which produced the report was set up in October 1961, under the chairmanship of SIR ARCHIBALD FORBES, G.B.E., C.A., together with nineteen other members representative of a wide range of industrial and commercial activity (among them two other chartered accountants, MR C. D. HELLYAR, F.C.A., and MR N. G LANCASTER, F.C.A.) to consider the whole question of 'special' incentives to exporters. In their considered view:

> 'the primary solution to this country's export problem lies in the pursuit of sound and stable policies for the economy as a whole'.

The agitation for special incentives to export would lose much of its force if trade in general could be carried on in a climate where the conduct of commerce was less subject to constant and disturbing alterations of policy in regard to the extent of capital investment and the level of home demand, quite apart from the imposition of a high rate of taxation and high interest rates. Each time the country runs into balance of payments difficulties, resort is made to measures designed to restrict internal investment and consumption – measures which must inevitably react to the detriment of exports by curtailing the necessary base of domestic trade and increasing the cost of exports. It is far more important to create the right climate in which commerce as a whole can flourish than to give marginal inducements specifically directed at exports.

[1] *Export Incentives.* F.B.I., 21 Tothill Street, London SW1. Price 10s.

Nevertheless, the question does arise whether incentives directed at the expansion of exports (as opposed to those aimed only at increasing export margins) would be feasible, either as a temporary palliative or long-term solution. Although there is something to be said in favour of this course, the weight of argument against is far too strong. Moreover, there remains the overriding consideration that subsidies invite retaliation, and in a competitive race of this sort Britain has more to lose than the majority of her competitors because the proportion of exports to the gross national product is unusually high.

When in 1952, against a similar background to that prevailing today, the F.B.I. set up a working party to consider the use of special export incentives in international trade, the policy of the Government was to seek the abolition of these practices. By 1961, the campaign had achieved a wide measure of success and the array of such practices which faced British exporters in 1952 had greatly diminished. The original G.A.T.T. agreements grew out of negotiations between the F.B.I. and the industrial bodies of other countries. Now, the F.B.I. again intend to approach their European counterparts with a view to limiting or abolishing the few isolated cases of Government financed export incentives in use overseas.

Nowadays, the real problem concerns the type of 'incentives' which are not banned by international agreement; these arise mainly in the spheres of credit facilities and indirect taxation. In the field of credit, the working party felt that recent improvements in the availability and rate of medium- and long-term credit has left the British exporter as well off as his competitors, except in Japan and Italy, where exporters benefit from a Government subsidized rate. As far as short-term credit is concerned, however, where the rate is still tied closely to Bank rate, British exporters may be at some disadvantage.

As for taxation, it is very difficult to judge the relative position of British and foreign exporters owing to the wide variation in the fiscal systems operating in different countries, but so far as the working party could judge:

> 'no country which is a party to the main G.A.T.T. declaration gives any subsidy by way of a remission of direct taxes or social charges calculated in relation to exports'.

On the other hand, nearly every country (including the United Kingdom) does grant exemption from, or allows a refund of certain indirect taxes in relation to exports. It is therefore necessary to consider both the ratio of direct to indirect taxation and the relative extent of exemption or remission of the latter. It is possible that the form and range of the indirect taxes in force here may react to the detriment of British exporters and the working party recommends an urgent study of the fiscal system at Government level, having due regard to the question of the harmonization of the United Kingdom tax system with those of the Common Market countries.

One other important tax anomaly concerns the treatment of foreign earnings through a branch or subsidiary. If the overseas profits of United Kingdom companies were given comparable treatment with those earned by companies domiciled elsewhere, there would be an incentive to remit these profits; the balance of payments would be improved and the opportunities for profitable reinvestment would be increased. Although the formation of an overseas trade corporation can overcome some of these disadvantages, such a company must fulfill a number of stringent requirements, and the working party comments:

> 'In any event a United Kingdom parent company trading overseas through non-resident subsidiaries cannot qualify as an O.T.C. As modern trading conditions often require that overseas trading should be conducted by subsidiaries formed under the law of the country concerned, the O.T.C. legislation tends to encourage an obsolete form of organization.'

There is obviously room for some urgent re-examination of the position in case British exporters are being positively impeded in their efforts to open up foreign markets.

It is often true that profitability is lower in the export field, but as SIR NORMAN KIPPING observed recently to members of the F.B.I. in Scotland:

> '. . . industrialists have to look at their profitability over the whole field, home and export. An outcry for export incentives is really a call for artificial means of making the export trade more profitable or, if you like, easier'.

So long as British traders are evenly matched with their competitors overseas, then export business must be sought and cultivated for its own sake instead of being treated as a temporary substitute for an otherwise buoyant home market.

The Distribution of Capital Profits

by M. J. GREENER, B.A., A.C.A.
Lecturer in Accounting, Staffordshire College of Commerce

IT has for some time been the textbook opinion within the accountancy profession that a surplus arising within a company from a revaluation of fixed assets could not be distributed as a profit unless:

(*a*) the articles of the company permitted;

(*b*) the surplus remained after the proper revaluation of all assets; and

(*c*) the surplus was realized.

This opinion was founded on the series of cases including *Lubbock v. British Bank of South America Ltd* (1892) and leading up to *Foster v. The New Trinidad Lake Asphalte Co Ltd* (1900) in which case Mr Justice Byrne said:

> 'It is clear I think that an appreciation in total value of capital assets, if duly realized by sale or getting in of some portion of such assets, may in a proper case be treated as available for purposes of dividend. Accretions to capital may be realized and turned into money which may be divided among the shareholders.'

Distribution of 'Surplus'

Now the *Trinidad* case concerned a surplus which had in fact been realized. It was a matter of whether the company could distribute that surplus among its shareholders. The Court decided that it could. The question that naturally arises is this: suppose the surplus, being a genuine surplus, had not in fact been realized, but suppose that the company found itself in possession of liquid funds in excess of its immediate requirements, could it then distribute those funds in reduction of the capital surplus?

The accountant, prudently interpreting Byrne, J.'s, judgment in its broadest sense, has hitherto answered, 'No'. This attitude was given support in the Scottish case of *Westburn Sugar Refineries Ltd v. C.I.R.* (39 A.T.C. 128; 39 T.C. 4) when the Lord President (Lord Clyde) said:

> '. . . particularly in the case of an appreciation which is neither realized nor immediately realizable it would be illegal to distribute the surplus . . .'

and Lord Sorn:

> '. . . in my view capital profits are not distributable until they are realized . . .'.

Such statements seem to forbid further discussion. However, the company in this case was not proposing to distribute an unrealized surplus in the form of a cash dividend and so, to that extent, the particular issue did not arise. Be that as it may, a certain note of doubt as to the precise legal position has recently insinuated itself into the more important textbooks. In the tenth edition of *Ranking & Spicer's Company Law* (on which accountancy students seem so much to rely) we find that condition (*b*) in the first paragraph of this article has been amended to read:

> '. . . it is actually realized in cash or (semble) is readily realizable'.

No reason is given for this shift in emphasis though it may have been introduced as a result of the qualification added by Lord Clyde as stated above. In any event it is in line with the views expressed in the twentieth edition of *Palmer's Company Law*, pages 645 – 646.

> 'accretions to capital not realized but immediately realizable and proved to exist can apparently be brought in as profits but this seems never to have been expressly authorized and is subject to the risk of the revaluation being mistaken . . . (and, in practice) . . . the transfer of the net surplus to the "profit and loss" account will be admissible only in extreme cases and that, even then, it is highly undesirable.'

This seems to suggest that were a company, with liquid assets available, to revalue its assets and thereby disclose a surplus being an accretion to capital, then it could use those funds to distribute the surplus provided the surplus itself was 'immediately realizable'.

Meaning of 'Immediately Realizable'

Much seems to turn on the meaning of the phrase 'immediately realizable'. It is a strange phrase and the more it is examined the more transparent it becomes. Do we assume that the assets in question must be surplus to present needs and therefore theoretically available for immediate realization, or, on the other hand, do we argue that any asset for which a market exists is, to that extent, 'immediately realizable', whether or not the company can afford to release

it from its present use. Until we can answer this question satisfactorily the views contained in *Palmer*, although interesting, cannot be considered altogether helpful.

It is worth noting that the editors of *Palmer*, even in suggesting the legality of a cash dividend, did add that it would be 'highly undesirable'. They went further, saying that:

> '. . . only in most exceptional cases in which no doubt exists on the permanent character of the accretion . . . would the transfer of the net surplus to the profit and loss account and its distribution as dividend appear to be admissible, although, even in these cases, it would be an undesirable course to adopt'.

Buckley, J., in the *Dimbula Valley* case, to which we shall presently refer, was similarly to invoke commercial wisdom. Such warnings are welcome, but from the point of view of the accountant, they are not always relevant for in the role of company auditor, he is concerned with what is legal far more than with what is wise.

New Opinion

Expressed in this way the position seemed far from satisfactory. Then came the case of *Dimbula Valley (Ceylon) Tea Co Ltd v. Laurie* ([1961] 1 All E.R. 769) and a wealth of new opinion. The facts of the case are briefly these. The company, having revalued its assets, proposed to capitalize the resultant surplus and issue bonus shares to the ordinary shareholders. The question was whether they could properly do this in view of the fact that the preference shareholders had a right to participate in surplus assets on a winding-up. The Court ruled that they could. The grounds for the decision were various but turned partly on the argument that the capitalization was an alternative to a dividend, and as the dividend would have been paid only to ordinary shareholders, so only they were entitled to receive the bonus shares.

Now here again the Court was not called upon to decide specifically whether an unrealized surplus on revaluation of assets could be distributed in cash. Nevertheless, in the course of his judgment, Buckley, J., made certain observations which, inevitably, seem to have a fairly general application. In referring to the *Westburn* case he tated:

> '. . . if the Court of Session was right in holding that a reserve fund constituted as a result of a revaluation of unrealized fixed assets could not legally be distributed it would seem to me that it could not legally be capitalized . . .'.

Lest it be assumed that this remark might be taken (quite reasonably) as bearing on the *Dimbula Valley* case only, his lordship goes on to posit a general rule, that, with certain named exceptions (share premiums and capital redemption reserve):

> '. . . only that which could be distributed in dividends could be capitalized'. . . .

It seems to follow from this that if a fund can be capitalized, then it can also be distributed as a dividend. Inasmuch then that it has generally been accepted that an unrealized surplus on a proper revaluation can (provided the rights of the various classes of shareholders *inter se* are respected) be capitalized one must conclude that it can also be distributed. Further and, as it were, in answer to our original question as to whether any available liquid funds can be used for the purpose of such a distribution, Buckley, J., said:

> 'Moreover if a company has fluid assets available for payment of a dividend I can see nothing wrong in its using those assets for payment of a dividend and at the same time, as a matter of account, treating that dividend as paid out of a capital surplus resulting from an appreciation of unrealized fixed assets . . . .'

Now it is true that the Court in the *Dimbula Valley* case was not asked to decide specifically whether an unrealized surplus could be distributed in cash. Nor was this so in the cases on which the learned judge seems principally to have relied, namely, *R. A. Hill & Others v. Permanent Trustee Co of New South Wales* (1930) and *C.I.R. v. Thornton, Kelley & Co* (1957). In all these cases the question revolved around the capitalization of a surplus. Nevertheless, Buckley, J.'s, remarks can only be taken to mean that the law, as it stands, would permit a cash distribution of an unrealized surplus.

Logic and the Law

In *Candler v. Crane Christmas & Co* (1951), Asquith, L.J., is reported as saying:

> '. . . I am not concerned with defending the present state of the law or contending that it is strictly logical – it clearly is not. I am merely recording what I think it is . . . .'

It is possible that Buckley, J., would subscribe to this view in connection with the case we are now considering. Indeed, an accountant may be forgiven for hoping so, for the law as stated seems both illogical and commercially dangerous.

The danger lies, firstly, in the manner in which the law will permit, in effect, the repayment of real capital (in the form of inflationary surpluses)

while insisting on the retention of nominal capital and, secondly, in the new facilities offered for the arbitrary milking of companies.

It may be worth now examining the logic which the law applies to the payment of dividends out of 'non-trading' surpluses. In the first place it is instructive to examine a particular passage in the *Dimbula Valley* judgment. This passage reads:

> '. . . a capitalization of [capital profits] is in essence the declaration of a dividend combined with the application of that dividend, on behalf of the shareholders entitled to participate in it, in paying up shares . . .'.

Now this may have clarified the position in the particular case but if it is intended (as is likely) to be taken as a general rule then, with respect to the Court, it is most difficult to accept for apart from anything else, it blurs the important and real difference between what may be called the facts of capitalization and the facts of distribution. After all, one is equally entitled to claim that the declaration of a dividend is, in essence, the capitalization of profits coupled with a simultaneous and equal reduction of capital and that consequently a dividend can never be paid except with the sanction of a special resolution under section 66 and the approval of the Court. This may appear absurd but it follows from the original premise.

What Can be 'Capitalized'?

At this point it may be useful to examine the chain of reasoning by which the law possibly arrived at its present position. It is patent that the interest of shareholders in a company lies in two funds: the fund of capital and the fund of profits. By 'capital' here is meant that part of the assets of the business which can only normally be returned to members on a winding-up. It includes not only subscribed capital as such, but also those surpluses which statute law insists be put aside and treated as additions to that capital.

It would naturally be absurd to speak of the capitalization of capital. The issue of bonus shares in place of a share premium or capital redemption reserve fund is merely a recognition of the capital nature of that fund. Consequently the only true 'capitalization' is the voluntary putting aside out of reserved profit of a sum which is considered to be needed permanently in the business.

If then, as it appears, capitalization can only strictly be effected out of reserved profits and as reserved profits are, by definition, available for distribution, then it follows that capitalization can only be out of profits which are available for distribution. Finally, and as a corollary – if a fund can be capitalized then, equally, it can be distributed in dividend.

So must run the legal argument and it would be a most reasonable argument did it not, in its application, beg two most important questions:

(1) Is it true to say that all stated reserves are in fact reserved profits?

(2) Is it true to say that the phrases 'are available for distribution' and 'may be distributed' should be interchangeable?

The first question has particular relevance in the present context for it is obvious that a revaluation of assets is most likely to take place during an inflationary period. Now to suggest that a 'surplus' brought into being by an increase in the nominal value of assets represents a profit is absurd. Such a surplus is no more than a measure of capital depreciation and should it be capitalized, then the company is doing no more than to recognize this fact. Distribution of such a surplus, realized or not, would be effectively a return of capital.

The second question puts forward a distinction which though delicate is of fundamental importance. It is this. To say that a fund is 'available for distribution in dividend' is to make a general statement of little practical value. It takes no account of the fact that no distribution can be made from a fund unless there is something to distribute. In the matter of revenue profits the distinction is less important. There is still, of course, a certain time lag between 'availability' and 'distributability' measured by the process of realization, but revenue profits generally are not represented by *particular* assets and any available liquid resources can be used in distributing them. When we come to consider capital profits, particularly those with which we are here concerned, namely, surpluses arising on the revaluation of fixed assets, the picture changes considerably. The reserve so created is not the same *type* of reserve as that arising out of revenue profits.

Double-entry Confusion

The issue is noticeably confused by the very nature of double entry book-keeping. We are in danger of becoming mesmerized by the very techniques which we use. Now when assets are revalued, the asset accounts are debited and a reserve account credited. This does not create *two* funds, but one, and that one is represented by the

unrealized increase in the asset values. The heading 'Reserve on revaluation of fixed assets' is merely the other side of the asset coin. It cannot be distributed simply because there is nothing to distribute, and there will not be unless and until the assets, or part of them, are actually sold. It is in acknowledgement of this and of the further fact that no sale is in most cases intended that the reserve is often frozen by the issue of bonus shares in its place. It is therefore illogical to say that such a fund cannot be capitalized unless it can be distributed when it is the very fact that it cannot be distributed that promotes the capitalization.

It will be objected that while the particular assets which gave birth to the reserve cannot (except in isolated cases) be distributed, there may be idle funds within the business which could be distributed in their place. Support for this objection was in fact contained in the *Dimbula Valley* judgment. It is, indeed, a very reasonable objection, but it overlooks one point. Those liquid funds were not brought into being by the revaluation; they must have been there beforehand, and if it was not reasonable to distribute them previously, it is difficult to appreciate how has it suddenly become reasonable to distribute them now. On the other hand, if they were distributable previously why now make the pretence that they are represented by the revaluation reserve. We have surely come to a strange pass if a journal entry of itself has power to release funds.

Real Nature of the Surplus

Consider a simple example. A company has a machine which it uses for the purpose of earning profit. It revalues the machine and proposes to distribute the resultant surplus using cash that is idle in the business. But this surplus is by definition part of the machine and the machine must be retained for use. How then can one speak of distributing the surplus? To talk of idle funds being available is interesting but irrelevant. If the funds are already available there should be no logical need to revalue the machine in order to release them.

It is because the asset must be retained that the surplus cannot be distributed. *The surplus has no existence apart from the asset.* This fact is recognized by capitalization; it is denied by distribution. It appeared to have been recognized by Mr Justice Byrne in the *Trinidad* case; it appears to have been denied by Mr Justice Buckley in the more recent *Dimbula Valley* case. And there, apparently, the law now stands.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

GERMANY

Consolidated Accounting Problems

THE need to clarify underlying principles governing consolidated accounting was the burden of an article in a recent issue of *Die Wirtschaftsprüfung*. For example, it is usually agreed that a 51 per cent majority is sufficient to justify consolidating, but this case may produce accounts which are more deceptive than ordinary holding company accounts. The consolidation will show a liability to minority shareholders of 49 per cent of the capital and reserves of the subsidiary which, in an extreme case, can represent almost half the total assets of the group. Nor can it be argued that this lower limit ensures that the incidence of control is revealed in all cases, as full economic control can only be exercised by means of a two-thirds majority. Further, *de facto* control is frequently obtained with less than a 51 per cent shareholding, particularly where a shareholder makes substantial loans to the company in the form of debentures.

On the other hand, the exercise of a different trade from that of the holding company is no excuse for non-consolidation, any more than is the existence of different operating divisions a reason for not preparing accounts for a business as a whole. The sole criterion relevant in this connection, states the article, is the existence of a permanent and voluntary shareholding; thus, if a bank holds the majority of the shares of another business as a result of foreclosure and in order to realize its security, there is a strong reason for not consolidating that other business with the bank. Foreign subsidiaries should be treated on all fours with domestic subsidiaries wherever full convertibility applies.

Although inter-company profits are to be eliminated by valuing stocks in the hands of the buyer at cost to the seller, no clear rules exist where the asset is fixed and not current. Where, for example, one subsidiary has invoiced machinery to another at the market price, complicated adjustments would be required for as long as the machinery remained on the books of the buying company. The practical

problems here, states the author, do not appear to have been faced. For example, suppose that a steel erecting company is the subsidiary of its largest customer, a mining company, then a large part of the former's profits are unrealized from the standpoint of the group. Again, what is the position of the minority shareholders in such cases? Montgomery's *Auditing* (1949, page 486) states that minority shareholders have rights only to 'realized' profits, whereas Finney and Miller's *Principles of Accounting* (1953, page 393) states that the consolidated accounts are no concern of the minority shareholders, whose claims extend to all the profit shown in the company's accounts.

One of the fundamental defects encountered in all legislation, says the author, is permission to consolidate accounts prepared at different dates. There is little present-day significance in non-calendar year balance sheet dates to justify this provision, in spite of the convenience factor which applies to seasonal businesses.

SOUTH AFRICA

New Tax Proposals

THE Commissioner for Inland Revenue has followed a somewhat unusual course by inviting taxpayers to give their opinion on new proposals he has made. These proposals, which take the form of draft amendments to the Income Tax Act, have been published 'to give interested persons the opportunity for suggesting any alterations or additions which would improve the scheme or remove anomalies'.

They provide for the introduction of a pay-as-you-earn system of tax collection, to apply both to individuals and to companies, and for changes in the year of assessment for both. The P.A.Y.E. year of assessment for employees would start on March 1st, 1963, deductions for tax being made monthly on the basis of tables issued by the Department of Inland Revenue. The year of assessment for companies would be changed to the year ending on the date the company closed its accounts, instead of the present year to June 30th. Tax would be assessed on the estimated annual income of the company, and would be payable as to one-quarter at the end of each of the fourth and seventh months and the balance at the end of the year of assessment. The fiscal year would then close at the end of February instead of March 31st.

Since a change from payment of tax in arrears to payment on current earnings would otherwise cause hardship to most taxpayers, provision has been made for various exemptions and rebates to be made to cover the period July 1st, 1962, to February 28th, 1963.

It is emphasized that at the present stage these are no more than proposals; the Government has not yet accepted the principle of P.A.Y.E., and the draft amendments to the Act are still to be considered by a select committee. Even if the principle is approved, it is by no means certain that the scheme can be in operation as early as next March. But it seems clear that the Government intends to make some such change, and that it is likely to come within the next two years.

UNITED STATES

Mergers of Accounting Firms

MR LOUIS H. PENNEY, C.P.A., a Past President of the American Institute, reporting on his extensive investigation, by personal interviews and correspondence with partners, of the growing practice of mergers between local or sectional firms and the larger national firms, quotes, as evidence of the accelerating trend, the fifty mergers reported for 1946–55 as against 113 in the last five years.

On the subject of referrals, Mr Penney says a great deal of work is at present being referred, chiefly from New York and Chicago and such industrial and financial centres, to accountants in smaller or less industrialized cities. Some mergers have been arranged to eliminate referrals but, in proper circumstances, referrals have been successful in avoiding the necessity for merger.

Concluding his report, Mr Penney says the mergers of local firms with large firms seem to benefit partners, staffs, clients, practices and public and to bring no harm to the profession. The trend will probably continue. Some local firms will always be necessary to serve the small and medium-sized clients. He thinks some action is needed to bring to clients of the local firms the specialized management services available only from the large firms.

CANADA

International Accounting Research

THE Canadian Institute's 1961 annual meeting was aimed at drawing attention to the international responsibilities of the accounting profession. Mr Carman Blough, C.P.A., Director of Research of the American Institute, raised the question of internationally accepted standards. He pointed out that, in most countries, the time and effort given to research has been barely enough to cope with pressing domestic problems, so that little thought has been given to international problems. He doubts whether any steps towards development of such standards on a formal basis are near. But he said that the greater interchange of ideas between professional bodies in different countries, in recent years, is slowly bringing about a standard of international acceptance. Mr Blough pointed out the part played by the large international firms of accountants in bringing the standards of acceptance in the more backward countries up to those in the United States, Canada and Great Britain.

The Scope of Management Accounting

by J. P. WILSON, F.C.W.A., F.C.I.S.

MANAGEMENT accounting can be defined as the use of the accounts of the business to provide information as the basis of management action. There is nothing new in this when we consider, for example, that for centuries the accounts of customers have been used as the basis of action to collect debts. What is new is the increase in the *extent* to which accounts are used for this purpose and the development of accounting techniques to this end. Costing, as generally understood, is one part of management accounting.

The accounts of a business can provide information for different purposes and it should be recognized that one set of figures may not hold good for all purposes. A significant distinction can be drawn between the provision of information for management which can be termed 'management accounting'; and the provision of figures for submission to shareholders, or owners of a business, which can be termed 'stewardship accounting'. For example, the value of stock at the end of the year may be £200,000 for the purpose of management decisions on manufacturing and trading operations, but in the annual accounts presented to shareholders all fears and contingencies are taken into account and prudence might dictate to the management that it should err on the side of conservative finance and show stock at £180,000. It is fair to say that invariably such conservative stock valuations are employed consistently from year to year.

The failure to recognize this distinction between management accounting and stewardship accounting and the attempt to use, in monthly financial statements for management purposes, figures on the same basis as for annual accounts, can make nonsense of such monthly financial results.

Decision and Control

Management requires information as the basis for its actions which fall roughly into two categories – decision and control. In designing any system of management accounting it may be well to consider the particular problems for which information may be necessary.

Information may be required for major decisions or for day-to-day decisions. Major decisions may be:

(1) manufacturing and trading policy for the year, including policies on inventory levels, material supplies, sales and capital expenditure;
(2) whether, and by what means, to expand the business;
(3) whether, and by what means, to contract the business;
(4) selling policy as regards selling prices, intensity of selling effort, advertising, etc.;
(5) disposition of capital resources as, for example, between fixed assets and working capital.

Day-to-day decisions to be taken by management may, among others, include the following:

(1) fixing selling prices;
(2) selection of the most profitable work;
(3) methods of working;
(4) decision to make or buy out.

It is not suggested that all the information used as the basis for decision will be provided by the management accounts. Other functions of the business, as for example the production control department, may provide such information. The feature of information from management accounts is that it is normally expressed in the useful common denominator of £ *s d*. Also, it is not suggested that the management accounts will invariably give the answer to the problem. Frequently the management accounts will provide the data, but the decision can only be made by the exercise of judgment utilizing such data.

Control Procedures

It is not sufficient for management merely to make decisions; it must ensure that they are implemented. This is done by the incorporation of control procedures in the management accounts. If the decisions are embodied in budgets, the control exercised through budgetary control and standard costing can be very effective. Such measures of control may cover:

(1) Sales performance and the analysis of the variance between budget and actual to its causes such as volume of sales, pattern of sales and selling prices.
(2) Profit margins analysed to sources in markets, product groups, areas, etc.
(3) Costs of production such as material prices, material usage, wage rates, labour efficiency, plant operating efficiency, capacity employed and spending on overhead expenses.
(4) Cost and progress of capital expenditure projects.
(5) Financial savings achieved by capital expenditure projects.
(6) Disposition of capital resources to ensure that adequate working capital is available to carry on the business, that stocks are properly controlled, that customers' accounts outstanding

A paper presented and discussed at a joint meeting of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants and the Coventry and District Branch of The Institute of Cost and Works Accountants last Wednesday.

do not get out of hand, and that cash is available to meet all requirements.

The provision of such extensive information for decision and control is no mean task and calls for skill and imagination on the part of the management accountant, not only in the devising of the system to provide the basic information, but also in the selection of the appropriate data and their presentation as the information apposite to the purpose for which it is required. In considering the means of providing information two guiding principles may be expressed in the following catch-phrases:

(1) *There is no such thing as an absolute cos* . For example, the product cost required as the basis for fixing a long-term selling price to a major customer in the home market may be very different from that required for fixing a cut selling price in the export market during a trade recession.

(2) *One cannot have all the information on tap all the time.* This is impossible because of the range of the information required. Consequently continuous accounts will be kept of those matters of the greatest importance, and of those about which information is required continuously, for example, control information. Other information, such as that required for once-and-for-all decisions will be obtained by *ad hoc* investigation. *Ad hoc* investigation may entail abstracts from the continuous accounts, keeping temporary records and even physical studies such as time-study or weighings.

Concepts of Accounting

In addition to the use of different means of recording, management accounting is composed of different concepts of accounting and costing. The three major concepts in common use are (*a*) historical accounting, (*b*) budgetary control and standard costing, (*c*) marginal costing. These are distinct but not mutually exclusive.

(*a*) *Historical accounting* is essentially the analysis of actual income and expenditure under the headings required. By virtue of its fundamental importance it permeates the whole of management accounting. It may be employed wholly or in part in the preparation of a profit and loss account; it is the major concept underlying an orthodox system of actual job costs, and it is employed in budgetary control and standard costing to establish the actual costs directly incurred by each department.

(*b*) *Budgetary control and standard costing* is essentially a technique in which emphasis is laid upon the planned revenue and expenditure. This is compared with the actual revenue or expenditure, *but only to the extent of the significant detail*, to show the variation from plan. This variation is then analysed to its causes. An illustration of two principles of budgetary control and standard costing is given in Figure 1 of a very simplified operating account of a production department for an accounting period.

Figure 1

DEBIT

Departmental costs directly incurred		£	£
Wages	Ascertained by historical accounting	✓	
Salaries		✓	
Consumable stores		✓	
etc.		✓	
			2,000
Charges from service and administrative departments			
Electricity		✓	
Works maintenance		✓	
Stores		✓	
Works general personnel charges		✓	
,, ,, space charges		✓	
etc.		✓	
Total actual cost to department			£3,500

CREDIT

Standard cost of work produced	£	£
Product A. 1,000 at £1 each	1,000	
Product B. 2,000 at £·5 ,,	1,000	
Product C. 1,000 at £1·2 ,,	1,200	
		3,200
Net variance between standard and actual cost		
Excess cost in respect of:		
Material usage	300	
Wage rates	50	
Spending on overheads	100	
Capacity employment	80	
	530	
Less Cost saving on labour efficiency	230	
		300
		£3,500

The two principles illustrated are:

(1) The total actual cost of the department is compared with the total standard cost of the work produced, and the comparison does not extend to each separate product. An analysis of actual costs to products is not made, firstly, because the so-called actual costs of products may not be significant, and secondly, because it may be neither practicable nor economic.

(2) The variance is analysed to its causes, and indeed excess costs and cost savings arise from causes general to the department rather than from the particular products manufactured. Therefore an analysis of variance to causes is more significant information.

There are two stages in budgetary control and standard costing. The first stage is the 'study and planning' stage when the plans are drawn up expressed in budgets, performance standards and standard costs. The study of the operations of the business necessary to establish the plans frequently reveals economies that can be made immediately. The second stage is the 'control' stage when for every accounting period

the planned results are compared with the actual results to reveal the excess costs or cost savings and their causes. It is then necessary to reach behind the figures of particular significance to establish the action to be taken.

(*c*) *Marginal costing*. Whereas budgetary control and standard costing has a particular value in the provision of information for control purposes, the third major concept – marginal costing – has a particular value in the provision of information for decision, especially short-term decisions. Marginal cost is defined as 'the amount by which aggregate costs are changed if the volume of output is increased or decreased by one unit'. This is illustrated in Figure 2.

This illustration shows that if a certain course of action is taken certain costs, which tend to be variable, will be affected; but other costs, which tend to be fixed, will be unchanged. Marginal costing is the provision of information which takes this distinction into account and presents the marginal cost applicable to the action under consideration. As the classifications of cost do not fall clearly into the categories of variable and fixed, but the variability of each element depends upon the particular circumstances of the course of action being considered, it is normally not advisable to incorporate the presentation of marginal costs in the continuous cost accounts. It is preferable to ascertain marginal costs by *ad hoc* investigation when the particular circumstances of each matter can be taken fully into account.

In the provision of the appropriate information to management, the accountant must be prepared to use, as necessary, all the concepts of management accounting and all the various recording means. Furthermore, the information necessary may not be confined to what has happened or what had been planned to happen; the accountant may be required to give information on what is likely to happen, perhaps even under conditions not previously experienced. In doing so he may find it helpful, and indeed necessary, to draw upon the knowledge of the technical, marketing and other branches of the business. Cost information, for example, may be an amalgam of past costs and estimates for the future.

Figure 2

ILLUSTRATION OF MARGINAL COST

	A	B	C=B–A
	Aggregate Cost of 1,000 Units	Aggregate Cost of 1,001 Units	Cost of 1 Unit
	£	£ s d	£ s d
Direct labour ..	1,000	1,001 0 0	1 0 0
Direct materials	1,000	1,001 0 0	1 0 0
Variable overheads	500	500 10 0	10 0
Marginal cost ..	2,500	2,502 10 0	2 10 0
Fixed overheads	1,000	1,000 0 0	—
Total cost ..	£3,500	£3,502 10 0	£2 10 0
			Marginal cost

Types of Information

The information provided to management will take an infinite number of forms, dependent upon the purpose for which the information is required and the technique of management accounting employed. The forms of established financial statements such as the balance sheet and the profit and loss account have been influenced by the development of management accounting.

Balance Sheets

The development in the form of the balance sheet is illustrated in Figure 3 showing a traditional balance sheet and Figure 4 showing a modern form of balance sheet for management purposes. The modern form is more logical in its arrangement. For example, it shows clearly the significant figures of working capital, the net worth of the business and the value of the ordinary shareholders' interest. Furthermore, it shows trade investments and stock at their real values with the corresponding reassessment of the reserves of the business.

Profit and Loss Statements

Alternative statements of profit and loss are illustrated in simplified form in Figures 5 and 6. The traditional profit and loss account shows a profit after tax of £49,000, giving details of the expenditure and income by classifications of their nature. Such information is relatively simple to present, but is of little value to management in any other than a small business. The modern form of profit and loss account also shows a profit after tax of £49,000, but it conveys information that is of value to management. It shows that the true profit before tax applicable to the period is not £106,000, but is £114,000, as £8,000 represents only an adjustment of the stock reserve created for stewardship accounting purposes. It shows that sales have been appreciably less than those planned, mainly due to volume and a failure to achieve the planned level of selling prices. Actual costs of production have exceeded standard costs by £4,250, in spite of a fall in material prices of £5,000 and a gain in operating efficiency of £9,000. A supplementary statement to the profit and loss account will show the departments in which these cost savings or excess costs arise. Another supplementary statement will show the sales, standard cost of sales and standard profit analysed to its origins by product groups, markets, areas or end uses. The presentation of such a form is dependent upon the operation of a system of budgetary control and standard costing.

Source and Disposition of Funds

The disposition of the capital resources of the business can be based upon information shown in the statement of the source and disposition of funds as

Figure 3 **TRADITIONAL FORM OF BALANCE SHEET**

Previous Year £	Liabilities		Current Year £	Previous Year £	Assets		Current Year £
	Share Capital				**Fixed Assets**		
150,000	150,000 6% Preference of £1	150,000		80,000	Land and buildings	100,000	
200,000	200,000 Ordinary Shares of £1	200,000		215,000	Plant and machinery	250,000	
350,000			350,000	45,000	Fixtures and fittings	50,000	
150,000	Capital Reserves		150,000	340,000			400,000
	Revenue Reserves						
200,000	General Reserve	£200,000		100,000	Trade investments at cost		100,000
90,762	Profit and Loss Account	122,000					
290,762			322,000		**Current Assets**		
40,000	Reserve for future taxation		50,000	180,000	Stock	252,000	
100,000	5¾% Loan Stock		100,000	190,000	Accounts receivable etc.	340,000	
	Current Liabilities			245,562	Cash	22,250	
80,000	Trade creditors etc.	90,000		615,562			614,250
35,000	Current taxation	40,000					
9,800	Proposed ordinary dividend	12,250					
124,800			142,250				
£1,055,562			£1,114,250	£1,055,562			£1,114,250

Figure 4 **MODERN FORM OF BALANCE SHEET**

Previous Year £		£	£	Current Year £
	Fixed Assets			
80,000	Land and buildings		100,000	
215,000	Plant and machinery		250,000	
45,000	Fixtures and fittings		50,000	
340,000				400,000
295,000	**Trade Investments** at market value			310,000
	Working Capital			
	Current Assets			
200,000	Stock (at commercial value)	280,000		
190,000	Accounts receivable	340,000		
245,562	Cash	22,250		
635,562			642,250	
	Current Liabilities			
80,000	Trade Creditors etc.	90,000		
35,000	Taxation	40,000		
9,800	Dividends payable	12,250		
124,800			142,250	
510,762	Working capital			500,000
£1,145,762	**Net Worth of Business**			£1,210,000
£	Represented by:			£
40,000	Set aside for future taxation			50,000
100,000	5¾% Loan Stock			100,000
150,000	Preference share capital – 150,000 5% preference shares of £1			150,000
	Ordinary shareholders' interest:			
200,000	Issued share capital – 200,000 shares of £1 nominal		200,000	
150,000	Capital reserves		150,000	
200,000	General reserve		200,000	
195,000	Appreciation of trade investments		210,000	
20,000	Stock reserve		28,000	
90,762	Undistributed balance of Profit and Loss Account		122,000	
855,762				910,000
£1,145,762				£1,210,000

Figure 5

TRADITIONAL PROFIT AND LOSS ACCOUNT

	£		£
Opening stock	180,000	Sales	900,000
Purchases	466,250	Closing stock	252,000
Wages – direct workers	87,000		
Carriage	14,000		
Gross profit	404,750		
	£1,152,000		£1,152,000

	£		£
Salaries		Gross profit	404,750
Indirect labour			
Overtime premium			
National Insurance			
etc.	307,000		
Profit on manufacturing and trading	97,750		
	£404,750		£404,750

	£		£
Loan interest – gross	5,750	Profit on manufacturing and trading	97,750
Taxation	57,000	Rents received	750
Profit after taxation	49,000	Dividends received – gross	13,250
	£111,750		£111,750

PROFIT AND LOSS APPROPRIATION ACCOUNT

	£		£
Dividends, less tax – Ordinary	12,250	Profit for year after tax	49,000
Preference	5,512	Profit from previous year	90,762
	17,762		
Balance	122,000		
	£139,762		£139,762

illustrated in Figure 7. This statement is based upon the balance sheet totals at the beginning and end of the period under review, which should preferably be the month and also the year to date. Its purpose is to depict the trends in the movement of resources in order to achieve a proper balance between fixed capital and working capital, and between the constituent elements of working capital. For example, in the business illustrated, cash has been heavily run down by £223,312. £135,000 has been spent on additional fixed assets, stocks are up by £80,000 and accounts receivable by as much as £150,000 or 78 per cent.

Financial Ratios

It is not claimed that the study and control of the assets and liabilities of a business are something which has been developed as a part of management accounting. Indeed it has been practised for a very long time, frequently as a matter of grim necessity. Management accounting now embraces, as a matter of regular routine, the study of these figures which was previously carried out informally and frequently too late. A further development of management accounting is to extend the study of the profit and loss figures and the balance sheet figures, not only separately but in relation to the other set of figures. 'Financial ratios' is the name given to this development and the following are a small number of such ratios in fairly common use:

(1) Profit : capital employed (£119,750 : £1,210,000 =9·9 per cent)

(2) Profit : sales (£105,750 : £900,000=11·7 per cent).

(3) Sales : capital employed (£900,000 : (£1,210,000 −£310,000)=1·0).
(This is sometimes known as the rate of capital turnover.)

(4) Accounts receivable : sales (£340,000 : (£900,000 ÷12)=4·5 months).

(5) Stock : cost of sales (£280,000 : (£790,000÷12) =4·2 months).

A ratio does not of itself tell very much, but when a ratio is ascertained at regular intervals the trend can be very significant. If the ratios of a business can be compared with those of other concerns in the same group of companies or industry their value is considerably enhanced.

Departmental Operating Statements

A feature of the concept of budgetary control and standard costing is the emphasis upon the department as the point at which performance is measured and controlled. The departmental manager has a very large influence upon the setting of the budgets for his department and he is presented at frequent intervals, normally monthly, with a departmental operating statement setting out the actual cost of his department, the standard cost and the variance between them analysed to its causes.

An example of a departmental operating statement is shown in Figure 8. John Smith, the manager of this department, has spent £59,870 to achieve a production of 1,900 tons of a standard cost value of £57,800. The net excess cost of £2,070 is shown analysed to its causes. The value of this statement does not lie wholly in the information which it conveys to the departmental manager – and indeed he should generally be aware of the factors which are causing variance from the planned result, even if he does not know their monetary importance – but it lies also in the incentive to the departmental manager to control his department keenly in anticipation of the publication of his monthly results.

Cost of Products

The cost of products is another form of information which is of considerable importance to management. Figure 9 illustrates a 'Product standard cost form', in which provision is made for the calculation of the marginal cost if and when required. The advantage of the standard cost of a product is that it represents the intrinsic value of the product. A feature of the preparation of product standard costs is that in any but the simple types of production, the management accountant cannot prepare such costs without technical assistance. It is necessary first to have a technical specification of the material content, the conversion operations and the value in work units of each operation before the management accountant can apply his money values in the form of material prices and conversion cost rates.

In the orthodox systems of budgetary control and standard costing the product standard cost is the maid of all work. It is used either in total or in part for the valuation of departmental production, production delivered into finished stock, goods dispatched to customers, work in progress and finished stock,

Figure 6

MODERN FORM OF PROFIT AND LOSS ACCOUNT

(Based on the use of standard costing)

	£	£
Budgeted sales		1,000,000
Less Gain (+) or Loss (−) due to:		
Volume of orders	− 80,000	
Pattern of sales	+ 10,000	
Selling prices	− 30,000	
		− 100,000
Actual sales		900,000
Less Standard cost of sales		790,000
Standard profit on actual sales		110,000
Adjustment for Cost Savings (+) or Excess Costs (−):		
Material prices	+ 5,000	
Material usage	− 3,000	
Wage rates	− 2,000	
Operating efficiency	+ 9,000	
Capacity employed	− 7,000	
Spending	− 6,250	
Net excess cost		− 4,250
Actual manufacturing and trading profit		105,750
Add Miscellaneous income:		
Rents	750	
Dividends received	13,250	
		14,000
		119,750
Less Loan interest		5,750
Profit (on management accounting basis)		114,000
Less Increase in stock reserve		8,000
Profit before tax (on annual accounts basis)		106,000
Less Taxation		57,000
Net profit after tax		£49,000

Figure 7

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

	£	£
Source of Funds		
Profit after depreciation and tax	49,000	
Add back Increase in stock reserve	8,000	
Depreciation	75,000	
		132,000
Increase in amount retained for future taxation		10,000
		£142,000
Disposition of Funds		
Expenditure upon fixed assets		135,000
Payment of dividends – net		17,762
		152,762
Less Decrease in working capital		10,762
		£142,000

Analysis of Changes in Working Capital

	Year 1 £	*Year 2* £	*Increase+ Decrease−* £
Current Assets			
Stock	200,000	280,000	+ 80,000
Accounts receivable etc.	190,000	340,000	+ 150,000
Cash	245,562	22,250	− 223,312
	635,562	642,250	+ 6,688
Current Liabilities	124,800	142,250	+ 17,450
Working Capital	£510,762	£500,000	− £10,762

and scrapped work. It is widely used as the basis for fixing or assessing selling prices, although for this purpose the product standard cost may be adjusted to provide the information pertinent to the particular circumstances. For example, it may be adjusted by the elimination of fixed costs to provide a marginal cost; or it may be adjusted in respect of some of the current variances.

Capital Expenditure Statement.

A capital expenditure statement is commonly presented at monthly intervals to enable management to control this important sector of the business. The normal procedure is that capital expenditure projects are sanctioned by the management at specific estimated costs. The cost of each project is normally ascertained by historical accounting methods and a monthly statement presented listing the current projects and showing in respect of each one:

the amount of money sanctioned	A
expenditure for the current month	B
expenditure to date	C
commitments in addition to expenditure to date	D
balance uncommitted	E=A−(C+D)
over- or under-spending	

The last item presents some difficulty. Frequently the over- or under-spending is not known until the termination of the project. If, however, the project is split into stages and separate amounts sanctioned for each stage, or indeed for the major elements of each stage, the variation from sanction is made known as the work proceeds.

Figure 8

DEPARTMENTAL OPERATING STATEMENT

Throughput ..... *2,000 tons* .....
Capacity Employed ..... *115%* .....
Output ..... *1,900 tons* .....

Period ..... *November 1961* .....
Department ..... *P1 – Refining* .....
Manager ..... *John Smith* .....

Cost Classification	Allowed Cost	Actual Cost	Saving + Excess −	Notes
	£	£	£	
Charge stock	40,000	40,000	—	
Chemicals	3,000	3,200	− 200	Mainly excess usage of A.B.
Fuel	2,000	2,050	− 50	
Operating materials	1,000	1,100	− 100	Heavy replacement of Filter Cloths, £350.
Steam	2,500	2,800	− 300	Under investigation.
Electricity	1,500	1,450	+ 50	
Gooling water	900	900	—	
Operating labour	1,400	1,700	− 300	Excess Wage Rates, £150. Two men above budget.
Miscellaneous departmental expenses	500	520	− 20	
General charges:				
Material handling	1,000	1,000	—	
Personnel	300	350	− 50	
Buildings rent	800	800	—	
Plant and machinery rent	4,000	4,000	—	
Cost of actual throughput	58,900	59,870	− 970	
Cost Saving (+) or Excess (−):				
Capacity utilization	+ 500	—	+ 500	Working two week-ends.
Rate of throughput	− 1,000	—	− 1,000	Efficiency 83·3 per cent.
Yield efficiency	− 600	—	− 600	Very bad yield on Product C. See separate report.
Total departmental result	£57,800	£59,870	−£2,070	

	Product	Tons	Standard Cost per ton £	Standard Cost £
OUTPUT	A	500	50·0	25,000
	B	400	25·0	10,000
	C	1,000	22·8	22,800
		1,900		£57,800

Personnel Statistics

Personnel statistics, which indeed may be provided by the personnel department and not by the management accountant, are valuable information for management. It has been said with some truth that labour costs are controlled at the engagement stage and if a man once gets on the payroll there will always be some work which he can do. It is probably more true to say that there will always be some work in which he can share. Therefore a tight control should be kept on labour engagement and, in addition, a weekly or monthly statement prepared showing in respect of each department the numbers employed, left, engaged or transferred in or out of the department. Such statistics need only be simple and could be largely extracted from the wages and salary payrolls.

Statistics of Orders

While the convention is that orders do not enter into the accounts of a business until they become dispatches of goods, nevertheless statistics of orders are vital information for management. The management accountant will frequently be concerned with the preparation of an analysis of orders, parallel with the analysis of sales, to categories such as markets, areas product groups or end uses. It may also be necessary to maintain records of the balance of orders under the same categories.

Ad hoc *Statements*

Apart from the major statements of information to management which have been described, there will be an infinite variety of *ad hoc* cost statements varying with the nature of the business and the purpose for

Figure 9

PRODUCT COST FORM
with provision for the calculation of the Marginal Cost when required

PRODUCT STANDARD COST Period ..... *1961–62* .....

Part No. ..... *1a* .....

Description ..... *Component 338/2* ..... Cost per ..... *Each* .....

MATERIAL Description	Dept C.C.	Quantity	Standard Price	Unit	Standard Cost	Cumulative Standard Cost	*Memorandum FIXED COST* Rate	Cost
			£		£	£	£	£
Iron Casting Patt. 338	P.1	1	1·550	Each	1·550	1·550	·325	·325
LABOUR and OVERHEAD								
No. Operation	Dept C.C.	Standard Time	Std Cost Rate					
1 Turn on centre lathe	P1/1	1·5 S.H.	·6100	S.H.	·915	2·465	·160	·240
2 Mill	P1/3	2·0 S.H.	·5600	S.H.	1·120	3·585	·180	·360
3 Grind	P.2	1·0 S.H.	·7200	S.H.	·720	4·305	·210	·210
								1·135
				Less Fixed Cost		1·135		
				Marginal Cost		£3·170		

which the information is required. In the submission of such reports it is particularly necessary to ensure that the information is apposite to the problem presented and that the information is properly interpreted.

Figure 10 is an illustration of information with regard to the problem of guiding the sales department in the selection of the most profitable work when customer demand is high. If rule-of-thumb procedures were followed the management would probably be presented with comparative figures of total cost, selling price, profit and profit per cent of selling price. As product B showed the greatest profit percentage at 16·1 per cent, the decision would probably be made that the sales department should push product B. In this case, however, the fixed overheads of the business will not be affected and the criterion of profitability should be the difference between the marginal cost of each product and its selling price. This difference is termed 'contribution', because it is the contribution that each product or product group makes to a fund out of which the fixed overheads of the business are met, leaving the balance as profit. Furthermore, the most desirable product is that which makes the greatest contribution in relation to the factor which limits the production of the business. In this case, if material was in short supply it would be necessary to use this material to the best advantage, and therefore product C. would be the most profitable product as it yielded the greatest contribution (£.50) per £1 of direct material. If, however, direct labour was the limiting factor, the sales department should be directed to push product A. as yielding the greatest contribution (£4·00) per £1 of direct labour.

Figure 10

ASSESSMENT OF THE SHORT-TERM PROFITABILITY OF PRODUCTS

	Cost Element	Product A	Product B	Product C
A	Direct material	£5·00	2·25	1·00
B	Direct labour	·25	1·00	·40
C	Variable overhead	·10	·40	·15
D=A+B+C	*Marginal cost*	*5·35*	*3·65*	*1·55*
E	Fixed overheads	·75	·25	·25
F=D+E	Total cost	6·10	3·90	1·80
G	Selling price	6·35	4·65	2·05
H=G−F	Profit	·25	·75	·25
$J=\frac{H}{G}\times\frac{100}{1}$	Profit as percentage of selling price	3·9%	16·1%	12·4%
K=G−D	*Contribution per product*	*1·00*	*1·00*	*·50*
L=K÷A	*Contribution per £1 direct material*	*·20*	*·44*	*·50*
M=K÷B	*Contribution per £1 of direct labour*	*4·00*	*1·00*	*1·25*

Conclusion

The presentation of information to management calls for the exercise of judgment. There can be inflation of paper-work as well as of money, and the more documents are published the less value each document has. There is a physical limit upon the quantity of information which a manager can read; and the amount he can digest and act upon is much less. Care should be taken that significant information is not buried in a mass of relatively unimportant details.

As the directors and executives of a business are concerned with the longer view it is normally sufficient to provide them with the regular information monthly. More junior executives, such as departmental foremen, will usually require weekly figures of such items as wages, labour efficiency, material usage efficiency, etc. Daily figures may be provided by the prime records in the department, as for example of output, but only in exceptional cases should it be necessary or advisable for the management accountant to feed back daily figures to a department.

It is necessary that information for management purposes should be presented promptly. This is not difficult. It is a matter of clerical organization with this definite aim in view and the common-sense avoidance of straining after over-meticulous accuracy. It is also necessary that the information should be clearly and simply presented, with some regard for the attitudes and habits of the recipients. If a particular member of the management is frightened by a column of figures but has a liking for graphs, it would be well to convey information to him in that form.

Management accounting is of little avail if the information is not used. Once it is established that the information is absolutely relevant and reasonably concise, the first necessity is for the management to study the information. In this connection it should be recognized that it is almost impossible to present management accounting figures on fairly complex issues in such a form that the complete novice can understand them; and it is necessary for all members of general management to acquire some understanding of the financial aspects of management, particularly in relation to their own business.

One means of promoting effective use of information is by its consideration at formal meetings attended by all levels of management concerned. Proper minutes should be kept of such meetings, recording the decisions taken and indicating clearly the persons responsible for the necessary action.

Management accounting is one part of the whole of management procedures. If management accounting is to be realistic and economic it must be integrated in the general scheme of procedures of the concern. Likewise, in the sphere of human relations there is an inter-dependence between the management accounting department and the other departments which make up the organic structure of a business.

Weekly Notes

RECEIPT STAMP DUTY

THE Institute of Municipal Treasurers and Accountants has suggested to the Chancellor that receipt stamp duty should be abolished, basing its representations on the administrative economy that would result.

According to Inland Revenue estimates the annual yield from receipt stamp duty has declined from £5 million in 1956–57 to £1·6 million in 1960–61, a yield which, in the opinion of the Institute, is too trivial to justify the time and effort involved in purchasing, affixing and cancelling many millions of 2*d* stamps each year (192 million 2*d* stamps in 1960–61). It is apparent that the decline in yield must very largely be attributable to the effect of the Cheques Act, 1957, and to the mistaken belief that this Act altered the law relating to the issue and stamping of receipts: it seems likely that the growing popularity of payment by cheque and credit transfer will result in a further decline.

The Institute thinks that a disproportionate share of the duty is paid by local and public authorities: it is estimated that as much as one-quarter or one-third of the total yield comes from the stamping of receipts for gas and electricity accounts and for general and water rates.

The Institute says that abolition of the tedious and empty formality of stamping receipts would make a small but useful contribution towards the Government's aim of securing higher productivity and faster economic growth.

HIGHER STEEL PRICES

THIS week the price of steel in the United Kingdom market was raised by an average of 25*s* a ton or 2½ per cent. The increases represent the results of the periodic review by the Iron and Steel Board of the industry's prices. These reviews take place at two-and-a-half-year intervals and the new review was due about April of this year. The announcement two months in advance is a measure of the pressure from the industry to have its price structure raised at a time when costs have increased and the industry is expected to run at about 75 per cent of capacity for at least the first half of 1962. Steel chairmen have been somewhat forceful in their annual reviews to shareholders about the disparity between the trend of steel prices and costs in the last year or so.

The biggest increases have been granted where British home prices are well below continental levels; thus the price of sheet steel goes up by 5½ per cent and tin plate by 4½ per cent. Billets and re-rolled products go up by only 1 per cent. The general effect of the increases will be to leave the level of steel prices in this country very similar to those in the European Common Market.

STEEL COMPANY'S RATE ASSESSMENT

THE Steel Company of Wales has appealed at a local valuation court in South Wales against the present rateable value on its integrated steel works. The company consider that the present assessment is excessive and propose that the net annual value assessment of £2·08 million (rateable value £1·04 million) should be reduced to £1·65 million (rateable value £0·83 million). The sum involved is very large indeed, representing a difference in net annual value of almost £600,000. The company has indicated that it will be making a further application for a reduction in the near future. Meanwhile, investigations have brought to light that the net annual value of the works represents 15·8 per cent of the whole industrial value of Wales and 35 per cent of the total value of Glamorgan including the County Boroughs of Cardiff and Swansea.

A counter-application has been lodged by the Inland Revenue that the company's present net annual value assessment should be raised to £2·24 million (rateable value £1·12 million) on the grounds that structural alterations have been made and that the present assessment is, therefore, incorrect.

OPTIMISM ON WORLD TRADE

THE latest issue of the Bulletin for Industry put out by the Treasury has come out with a strong forecast that the recovery in Western Germany, already apparent in the last quarter of 1961, will continue into 1962. It expects that the Italian economy's rapid rate of growth will continue this year and that in France there will also be a continuation of the recent rate of growth. Adding to this the generally expected rise in activity in the United States and Japan, the Bulletin comes to the conclusion that the prospects for world trade in 1962 are exceedingly promising and are better than last year.

The interest in the forecast is in the confident tone of the outlook for Western Europe. Opinion elsewhere has been cautious, saying no more than that the recent high rate of growth in Western Europe (excluding the United Kingdom) would be likely to level off. If, however, the Treasury forecast is right the prospect for British exports in 1962 is definitely good. It remains to be seen whether the optimistic forecast of officials at the Treasury is re-echoed in the Budget statement which is due in four or six weeks.

SOUTH AFRICA'S DECIMALIZATION SUCCESS

PROFESSOR W. J. FAIRBAIRN, C.A.(S.A.), F.S.A.A., Professor of Accounting at Natal University, addressed a luncheon meeting of the London and District Society of Chartered Accountants last Monday, on the decimalization of the South African coinage.

Professor Fairbairn said that despite all the problems involved, the transition had gone through very smoothly. They had plumped for the ten shilling cent version of the two decimal system of coinage, thereby giving them a major unit of not too high a value and with their minor unit being roughly equivalent to a penny.

In introducing the system there had been a two year preparatory period and the new system came into effect on February 14th, 1961. Professor Fairbairn stressed that the whole conversion had been completed and every accounting machine in the country had now been converted to deal with the new coinage.

After giving a few details of the problems involved, Professor Fairbairn said that there were benefits still to come from decimalization in South Africa; they had not seen the end of them yet and all told the process had been highly successful and it had been welcomed by the vast majority of people in South Africa no matter what their political feelings about the whole thing had been.

One thing that still remains to be proved, it appears, is the amount of time that will be saved in the education of the average schoolboy. It had been estimated that at least six months of a youngster's life was spent in learning how to decimalize pounds, shillings and pence, and turn them back again.

NORTHERN IRELAND DEVELOPMENT

AN illustrated booklet recently issued by the Northern Ireland Development Council gives some interesting details of the comprehensive factory building programme of the Government of Northern Ireland[1]. Under the scheme, factories of standard type are erected on carefully chosen sites with full services laid on and ample labour available. Built in advance of demand, they are suitable for a wide range of manufacturing processes. The booklet describes a number of such advance factories.

Rents range from *1s 6d* to *2s 3d* per sq. ft depending on situation and size; these charges compare very favourably with factory rents in England. The factories, all of modern design, are let to sound industrial projects which will diversify the economy and create work for men – since Northern Ireland's present unemployment problem is essentially that of a surplus of male labour. In addition to factories, outright financial grants are available annually towards the cost of machinery and equipment.

In the past fifteen years the Northern Ireland Ministry of Commerce has built more than eighty factories or ancillary premises, plus twenty-nine factory extensions, which, together with those at present under construction, will represent a total of more than 8 million sq. ft. Fourteen factories, it is stated, are at present available or nearing completion.

[1] *Specification of A Northern Ireland Government-built Advance Standard Factory.* Obtainable, free, from the Northern Ireland Development Council, 13 Lower Regent Street, London SW1.

BRITISH EXHIBITION IN STOCKHOLM

THE largest British exhibition ever held overseas will be staged this year in Stockholm from May 18th until June 3rd. More space has been taken for industrial exhibits than at any previous British trade fair.

This full-scale effort indicates the importance of the Swedish and other Scandinavian markets to British industry. The Scandinavian countries and Finland together are now Britain's biggest export market. They took nearly 10 per cent of British exports in 1961 as against the U.S.A.'s 7·5 per cent.

Some 500 British firms will occupy over 200,000 sq. ft of exhibition space, displaying a wide cross-section of the most up-to-date products which Britain has to offer Scandinavia, ranging from heavy capital equipment to light consumer goods.

Danish, Norwegian and Finnish days will be held during the Fair to attract buyers from these countries. Groups of leading business men, travelling by charter plane flights, are being invited from these countries to visit Stockholm and tour the Exhibition.

INVESTMENT CLUB PROGRESS

NOW in its fourth year, The National Association of Investment Clubs has made rapid progress and it is interesting to record that with the recent affiliation of the Peak Investment Club, of Sheffield, the number of affiliated clubs now totals 500.

These clubs represent over 12,000 private investors, of which 1,500 are women. The average monthly investment is over £4, and the total annual investment is in excess of £600,000.

The first copy of the Association's *Investment Clubs* leaflet came into distribution last week and 5,500 copies have been sent to members of the British Junior Chambers of Commerce. The Association's address is 40/41 St Andrew's Hill, London EC4.

END OF A VENTURE

IT was announced this week in the House of Commons by the Minister of Aviation that the Rotodyne airliner project is to be abandoned. This highly promising and technically revolutionary aircraft first flew in 1957. The idea of a sixty seat helicopter-airliner was exceedingly attractive at the time and it is thought that between £14 million and £15 million has been spent on its development.

The Government has decided that the operational

advantages offered by this aircraft in its military capacity must be abandoned because of the cost. The pronouncement in the House indicated that British European Airways has come to a similar conclusion in the civil field quite independently of the Government's final view. The Corporation was at one time exceedingly interested in the Rotodyne but has now decided that the commercial outlook for the aircraft is not sufficiently assured to justify the heavy liabilities involved in placing an initial production order. The Corporation has, of course, had a difficult financial year and like all the international airlines it has a big undertaking in operating profitably its jet fleet. It is, therefore, necessarily sensitive about the risk of initiating a new and expensive revolutionary idea on its commercial routes while it is still absorbing the problems of the jet age.

B.E.A. have transferred their favour to the American Boeing-Vertol 107 which is a transport helicopter usable on inter-city routes. Time may show that the Rotodyne was overtaken by the rapid rate of technical change in aircraft. It has become a commercial or military proposition between the inauguration of the jet age and the arrival of vertical take-off and in consequence it may, therefore, have arrived five or ten years too late.

This is My Life . . .

by An Industrious Accountant

CHAPTER 113

OUR fussy old senior clerk is retiring at last. I went down to his room for a last chat before the more formal farewells at the presentation to him, planned for the end of the afternoon.

Poor old Fussy is nearly 70, a lean little man with thin white hair combed over his balding dome, and with an old-fashioned pince-nez on his beaky nose. He's been with the firm for over fifty years. In that time he has quarrelled violently, frequently and needlessly with everyone possible, including myself. Normally able and benevolent accountants have raised hopeless eyes to heaven when Fussy came to report involved discrepancies; veteran directors of toughened fibre have blanched when he came clamorously to denounce the delinquencies of the rising generation. His waspish tongue has driven juniors up the wall for decades . . . now it's time for him to go.

* * *

I fell out with him early. He resisted every innovation on principle, unless he had initiated it first himself. In his youth he had been a favourite of Mr Henry who was secretary during the First World War; he has never quite reconciled himself to having reached his somewhat modest plateau in the management hierarchy in later years; he vented his frustration in acidity. He objected to our posting direct from invoices and dropping the ancient journals; he was indignant when the signing of cheques was delegated down the line by the directors; he fought tooth and nail the appointment of an internal auditor. Mostly, I'm afraid, he fought with me, as the instigator of the changes.

But over the last year, with retirement in sight, he has mellowed noticeably; now we met rather sadly. He was clearing out his antique desk – a relic of Edwardian days. Into the wastepaper basket went old rubbers, pencils, diaries, pads, a cracked plastic hold-all; he tore up the contents of several files; he came to a bundle of faded photographs. He fingered them wistfully, one by one. An old football team bristling with droopy moustaches ('only two others still alive today') . . . Fussy shaking hands with Mr Henry ('a grand man, God rest him') . . . laughing office groups at parties and celebrations . . . Fussy in khaki in 1915 ('got a blighty one on the Somme') . . . past directors, dignified in watch-chains and spats . . . long-gone, long-forgotten faces.

It was pathetic to see him hesitating over them – the people who had meant so much to him once – as he sorted them carefully into a shabby attaché case. There was one of himself as an air-raid warden in 1940. He reminded me of the White Knight in *Alice through the Looking-glass*. I felt a rush of sympathy; after all, he had never faltered and perhaps we had neglected him somewhat. If he had been over-zealous, there were others on our staff who had been lax. He had been devoted to the firm and retirement would be hard on him.

* * *

I searched for words to tell him that we understood and forgave his pig-headedness and his nagging, that we appreciated his loyalty, that he would be remembered and respected. He must not go feeling himself a failure. Before I could speak, he put his hand on my arm and spoke slowly.

'You know, my boy, you've improved a lot over the past months,' he said benevolently. 'You've got over your early tactlessness. How poor Mr Henry used to shake his head over brash youngsters . . . but you'll make a good secretary some day, never fear. I know; I've watched you.'

For a moment there peered out from his tired eyes, generations of sage and kindly missionaries who spent themselves freely to civilize tree-dwelling aboriginals, to teach charity and justice to brutish pagans . . . to educate over-hasty accountants in moderation and discretion.

The gleam faded. He shuffled off fussily to receive his presentation.

Current Law

Wife's Interest in Matrimonial Home

IN *Allen v. Allen* ([1961] 3 All E.R. 385) the plaintiff appealed against the dismissal, by the judge of the Poole County Court, of the plaintiff's claim against his former wife for possession of the dwelling-house which had been their matrimonial home. The learned judge had accepted the former wife's evidence that she had gone out to work and out of her earnings contributed to the expenses of the matrimonial home, and decided that she had made out a case for some beneficial interest in it so that the plaintiff's claim for possession must fail.

In the Court of Appeal, Lord Evershed, M.R., rejected a submission that, just because a husband looked to his wife to provide some money to help with the living expenses it should, as a matter of law, be concluded that the matrimonial home was acquired jointly. The rights in the house depended, in the absence of agreement between the parties, on the intention established by the evidence. The case was remitted to the learned judge in order that he might inform the Court of Appeal whether he intended to find that the parties were putting all they earned into some joint pool, out of which the expenses of the house, including the mortgage instalments, were paid, or whether he intended to find no more than that, the husband having to pay for the house, the wife was asked herself to earn money towards other expenses. The Court of Appeal would then state what in their lordships' view was the correct conclusion in law; and Lord Evershed indicated that in the former case that view would be that the house was a joint venture (in which case the plaintiff's claim would fail), while in the latter case that view would be that it was not (in which case the plaintiff would succeed.)

Repayment of Advance Commission

THE defendant in *Bronester Ltd v. Priddle* ([1961] 3 All E.R. 471) was employed by the plaintiff company, first as a sales representative and later as sales manager. It was agreed that he should receive, in addition to a salary, a commission limited to deliveries made during his employment, and there was provision for the payment of half commission in advance; also for repayment of commission if, for example, an order was cancelled. There was no provision for the repayment of half commission on the termination of the defendant's employment, although other provisions regarding termination of employment were made. The defendant's employment was terminated by agreement, and the plaintiff claimed repayment of the half commission paid to him in respect of orders on which delivery was not made until after his employment had ended.

In the Court of Appeal, Holroyd Pearce and Willmer, L.JJ. (Pearson, L.J., dissenting), held that the plaintiff was entitled to succeed. The majority of the Court founded their decision on the fact that the advances were discretionary and were admittedly repayable in the sense that they had to be set against the commission when it became due. They were merely paid as a commercial convenience so that the defendant would not have to wait for the money which it was anticipated he would earn. Pearson, L.J., however, based his dissenting judgment on the fact that if an employer advanced commission to an employee and told him that it was commission due and taxable earnings, and did not tell him that in a certain event he would have to repay it, the employee could reasonably understand that he was intended to have and keep the money.

Invalid Gift to Institutions

THE testatrix in *Re Harpur's Will Trusts, Haller and Another v. Attorney-General and Others* ([1961] 3 All E.R. 588) directed her trustees to divide her residuary estate 'between such institutions and associations having for their main object the assistance and care of soldiers, sailors, airmen, and other members of His Majesty's Forces who have been wounded or incapacitated during the recent world wars in such manner' as her trustees should select. In the Court of Appeal it was conceded that the class of institutions referred to was not one which was presently ascertainable, and that, although the assistance and care of wounded and incapacitated members of the Forces would be a charitable purpose, nevertheless the words used by the testatrix were not apt to confine the institutions to those which were exclusively devoted to charitable purposes. It followed that the gift must fail for uncertainty unless the Charitable Trusts (Validation) Act, 1954, could be invoked to save it.

The Court of Appeal (affirming the decision of Cross, J. ([1960] 3 All E.R. 237), held that it could not. The Solicitor-General, seeking to uphold the validity of the gift, argued that a gift to institutions was the same thing as a gift for purposes. If he had succeeded in this argument, the gift would have been validated by the process of confining its application to such of the purposes of the institutions referred to as were charitable, and the uncertainty could have been cured; so, where there is a gift for purposes charitable and non-charitable in such terms that the gift could be applied wholly for the charitable purposes, any invalidity is, under the Act, cured by striking out the non-charitable purposes. The Court came to the conclusion, however, that the language of the Act could not be so stretched as to bring within its validating provisions institutions as well as purposes, so that the gift in the instant case was not an 'imperfect trust provision' within section 1 (1).

Finance and Commerce

Ranged on the Right

THE accounts of Alenco Ltd for the year ended September 30th, 1961, which are the subject of this week's reprint, provide another example of the 'ranged on the right' form of presentation. 'Ranged on the right', as previously explained, is the printer's term for lining up the type forming the narrative to the right-hand side, with the uneven line endings on the left, instead of the normal reverse procedure. This is, of course, a modern gimmick and like most things new – at least in company accounts – it takes a little getting used to. In any event, we hardly think this style is likely to be generally adopted.

One further point that will be noted in these accounts is the rounding off to the nearest thousand. Another company which does this, whose name comes readily to mind, is Unilever; but Unilever, whose figures run into the hundreds of millions, omit the last three digits altogether, and indicate at the top of the columns that the figures are in thousands. Nevertheless, Alenco's rounding off keeps one's attention on that part of the figures which matters most.

Included in our reprint is 'Salient Features' where the lead-off is from the sales total of £4,502,000, bringing in the 2·4 times dividend-cover; and dividend-cover is one of those important facts that might well be included in all company reporting.

Bright and Useful

Most of these salient facts also appear in four-year Group Comparative Statistics (not reproduced), which also include net profit as a percentage of sales – 15 for the year under review – and as a percentage of capital employed – 18; the latter being based on estimated capital employed for the foreign subsidiaries where the profits included in the statistics are for only part of a year. One further point is the basing of figures for the year to September 1959 on internal accounts to provide a yearly comparison.

Among other items in the statistical material is the statement of current assets as a percentage of current liabilities and as a percentage of fixed assets – 200 per cent and 221 per cent, respectively, for the year of these accounts. All in all, the report and accounts are full of what might be called 'bright' and 'useful' ideas.

Alenco's name is closely coupled with Ermeto tubes and fittings. One subsidiary has introduced a fitting to join nylon tubing; another for joining high-density plastic tube. The company is well placed Common Market-wise, although group profits were not up to expectations because of foreign subsidiaries'

ALENCO LIMITED AND SUBSIDIARY COMPANIES

SALIENT FEATURES

Sales		£4,502,000
Net profit before tax		£679,000
Taxation		323,000
Net profit after tax		356,000
Preference dividend		6,000
Net profit after tax and preference dividend		£350,000
	Rate	
Ordinary dividend proposed (Final)	20%	£108,000
Ordinary dividend paid (Interim)	10%	40,000
	30%	£148,000
Ordinary dividend covered by profit	2·4 times	
Balance of profit		£202,000
Depreciation		128,000
Funds retained in the group		£330,000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th September, 1961

	£	1961 £	*1960 £*
Trading Profit (*note 3*)		740,000	*511,000*
Deduct: Interest		61,000	*3,000*
Net profit for the year before taxation		679,000	*508,000*
Deduct: Taxation based on the profit for the year (*note 4*):—			
Income tax	198,000		*193,000*
Profits tax	75,000		*54,000*
Taxation equalisation account	6,000		*5,000*
Foreign taxation	63,000		—
		342,000	*252,000*
Net profit for the year after taxation		337,000	*256,000*
Adjustments in respect of previous years:—			
Income tax	4,000		*(9,000)*
Taxation equalisation account	15,000		—
		19,000	
		356,000	*247,000*
Appropriations			
Deduct: Dividends on the shares of Alenco Limited for the year ended 30th September, 1961, less income tax:—			
On 6% cumulative preference shares—			
declared	6,000		*6,000*
On ordinary shares (*note 5*)—			
Interim : declared (10%)	40,000		*35,000*
Final : proposed (20%)	108,000		*66,000*
		154,000	*107,000*
Balance of profit for the year added to revenue reserves (*note 7*)		£202,000	*£140,000*

The notes referred to above appear on page [267.]

reduced margins. At the time of the rights issue last July, the directors viewed profits as running at the rate of £850,000 a year. It was also explained that the next accounts would include only nine months' profits from the French and five months' from the Dutch Ermeto groups. But, it is stated, 'if the results of the overseas companies are grossed up to give a twelve months' equivalent, we obtain a notional figure of £810,000 for a full year'.

Times-covered

THE point about getting a right perspective on the rate of ordinary dividend is also dealt with in the accounts of The British Oxygen Co Ltd. Here, we see it in the 'Comparison of Results' covering 1952 to 1961. This, by the way, raises an incidental matter: What is the best way to present yearly columns of figures? Is it better to read left to right from the earliest year onwards? Or is it more helpful to start with the latest figures reading 'backwards' to the earliest? British Oxygen adopt the former procedure; Alenco the latter.

The British Oxygen comparison of results contains a summary of profits and their disposal, and then the statement of capital employed. The percentage return on average capital employed is worked out on the basis of profit before tax, after adjusting for loan and service charges. Then comes the amount of the issued ordinary capital, the dividend rate paid, followed by the equivalent rate of ordinary shareholders' average capital employed. 'Times-covered' would be a very worth-while extra – it is in fact one of the 'vital statistics' of company information.

Touch of Spring

R. & G. CUTHBERT LTD, the horticulturists, in their latest report and accounts strike a gay note with the promise of warm sun, spring flowers and garden scents. The outside cover of the company's 1961 report and accounts illustrates in natural colour a bunch of cottage garden flowers. It is a simple but highly attractive picture, giving beauty and colour to a normally prosaic business document.

In presenting their report in this way, Cuthberts are, of course, following a modern trend of using the annual report to publicize the business. Cuthbert – a group which includes, Dobies, Laxtons, Bunyards, Wood & Ingram, Fidlers, and Ryders – became a stock exchange quoted company in May 1960 and these are its first accounts for a full year as a public concern.

Ryder & Son, of St Albans, was brought into the group by share exchange in the year of these accounts and, incidentally, it holds a particular memory for golfers: the late Sam Ryder, the founder of the business, was the donor of the Ryder Cup.

ALENCO LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET 30th SEPTEMBER, 1961

	£	1961 £	1960 £
SHARE CAPITAL AND RESERVES			
Share capital of Alenco Limited:			
Authorised—			
6% cumulative preference shares of £1 each		500,000	500,000
Ordinary shares of 5/- each		1,000,000	500,000
		£1,500,000	£1,000,000
Issued and fully paid (note 2)—			
6% cumulative preference shares of £1 each		165,000	165,000
Ordinary shares of 5/- each		880,000	165,000
		1,045,000	330,000
Capital reserves (*note 6*)		1,110,000	43,000
Revenue reserves (*note 7*)		427,000	720,000
TOTAL CAPITAL AND RESERVES		2,582,000	1,093,000
FUTURE TAXATION			
Income tax	224,000		201,000
Taxation equalisation account	26,000		35,000
		250,000	236,000
LOAN CAPITAL			
Secured bank loans	74,000		—
Holding company loan	250,000		—
		324,000	
		£3,156,000	£1,329,000

	£	1961 £	1960 £
FIXED ASSETS			
Land and buildings (*note 8*)		663,000	296,000
Plant, equipment and vehicles (*note 8*)		704,000	372,000
		1,367,000	668,000
TRADE INVESTMENTS, at cost		13,000	6,000
TOTAL FIXED ASSETS		1,380,000	674,000
GOODWILL (*note 9*)		246,000	—
CURRENT ASSETS			
Stock and work in progress	1,595,000		866,000
Debtors	1,184,000		483,000
Cash at bank and in hand	267,000		1,000
	3,046,000		1,350,000
CURRENT LIABILITIES			
Creditors	981,000		274,000
Current taxation	320,000		273,000
Bank overdrafts (*note 10*)	107,000		82,000
Proposed ordinary dividend	108,000		66,000
	1,516,000		695,000
NET CURRENT ASSETS		1,530,000	655,000
		£3,156,000	£1,329,000

J. SYMES, S. H. JONES, } *Directors*

The notes referred to above appear on page [267].

ALENCO LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS

1. Since 30th September, 1960, Alenco Limited has acquired the share capital of the French and Dutch Ermeto groups of companies comprising two French (Ermeto S.A. and Arelco, S.A.R.L.) and one Swiss (Patex S.A.); and two Dutch companies (Ermeto Productie Mij. N.V. and P. L. W. de Ridder & Co. N.V.).
The consolidated profit and loss account deals with the profits of the French and Dutch Ermeto groups earned since acquisition for periods of nine months and five months respectively.
Foreign currencies have been converted into sterling at the rate of exchange ruling at 30th September, 1961.

2. The following changes in the issued ordinary share capital have taken place during the year:—

As at 30th September, 1960	1,320,000	Ordinary shares of 2/6 each, fully paid	£165,000
24th February, 1961		Capitalisation of revenue reserves	495,000
	2,640,000	Ordinary shares of 5/- each, fully paid	660,000
31st July, 1961	880,000	Ordinary shares of 5/- each, fully paid allotted by way of rights issue	220,000
As at 30th September, 1961	3,520,000	Ordinary shares of 5/- each, fully paid	£880,000

3. The trading profit of the group is stated after charging the following:—

	1961		*1960*	
Depreciation of fixed assets		£128,000		*£79,000*
Remuneration of parent company's auditors		4,000		*3,000*
Emoluments of the directors of Alenco Limited:—				
As directors	1,000		*1,000*	
As executives	53,000		*17,000*	
		£54,000		*£18,000*

4. The taxation charge is reduced by £20,000 (*1960, £8,000*) because of investment allowances.

5. The interim dividend of 10% was declared on 26th June, 1961, on 2,640,000 Ordinary shares of 5/- each.

6. The movements in capital reserves are:—

	Alenco Ltd.	*Group*
At 30th September, 1960		43,000
Less: Amounts arising on previous acquisitions now set-off against goodwill (*note 9*)		39,000
Leaving profit on sale of land		4,000
Add: Further profit on sale of land		13,000
		17,000
Premium on ordinary shares issued on 31st July 1961, less expenses of issue (£7,000)	1,093,000	1,093,000
	£1,093,000	£1,110,000

7. The movements in revenue reserves are:—

	Alenco Ltd.	*Group*
At 30th September, 1960	£720,000	£720,000
Less: Amount capitalised by the issue of ordinary shares	495,000	495,000
	225,000	225,000
Add: Balance of profit for the year	117,000	202,000
	£342,000	£427,000

8. Details of fixed assets are:—

	1961		*1960*	
	Land and Buildings	*Plant, etc.*	*Land and Buildings*	*Plant, etc.*
Cost or valuation	£759,000	£1,385,000	*£340,000*	*£777,000*
Accumulated depreciation	96,000	681,000	*44,000*	*405,000*
	£663,000	£704,000	*£296,000*	*£372,000*

The assets included above at valuation, relate entirely to certain foreign subsidiaries which were revalued for fiscal purposes.

9. Goodwill is made up of:—

Amount arising on consolidation being the excess of cost of shares in foreign subsidiaries acquired during the year over the book value of their net assets excluding patents at the dates of acquisition	£285,000
Less: Transferred from capital reserve (*note 6*)	39,000
	£246,000

10. The overdraft of a foreign subsidiary is secured to the extent of £51,000. In addition Alenco Limited has given guarantees in respect of bank overdrafts of £56,000 for other foreign subsidiaries.

11. Commitments for capital expenditure not provided in the consolidated accounts at 30th September, 1961, amounted to £685,000 (*1960, £106,000*).

12. There were contingent liabilities at 30th September, 1961, in respect of bills discounted by foreign subsidiaries amounting to £275,000.

EXPLANATORY CONSOLIDATED PROFIT STATEMENT

	£	1961 £	1960 £
SALES FOR THE YEAR		4,502,000	2,467,000
COST OF GOODS SOLD			
Materials			
The cost of all materials used in producing the finished products and charges by sub-contractors	1,636,000		816,000
Wages and Salaries			
The total wages, salaries and bonuses including the cost of the company's pension scheme, agents' commission and directors' remuneration	1,347,000		714,000
Supplies, Services and General Expenses			
The cost of materials used other than in producing the finished product (e.g. consumable tools), electricity, gas and water services and all other expenses (e.g. rent, rates, insurance, telephones and advertising)	651,000		347,000
Depreciation			
The amount by which the book values of the buildings, plant, machinery, furniture, fixtures, equipment and vehicles have been written down	128,000		79,000
		3,762,000	1,956,000
Trading Profit		740,000	511,000
Deduct: Interest on loans and bank overdrafts		61,000	3,000
PROFIT			
Net profit before tax		679,000	508,000
The charge for tax in this financial year and adjustments in respect of previous years amounts to		323,000	261,000
Leaving net profit after tax of		£356,000	£247,000
THIS PROFIT IS BEING USED AS FOLLOWS			
To pay dividends			
The amount payable to our shareholders on the money invested by them:			
On preference shares	6,000		6,000
On ordinary shares	148,000		101,000
		154,000	107,000
To reinvest in the Company			
The remainder of the profits after allowing for tax and paying dividends is added to the revenue reserves		202,000	140,000
		£356,000	£247,000

EXPLANATORY CONSOLIDATED BALANCE SHEET

	1961 £	£	1960 £
CURRENT ASSETS			
These comprise the following items which are readily realisable in the course of business:—			
Stocks of materials, finished parts and work in progress	1,595,000		866,000
Amounts owed to us for goods supplied and sundry items paid in advance (e.g. rates and insurances)	1,184,000		483,000
Cash at bank and in hand for sundry disbursements	267,000		1,000
		3,046,000	1,350,000
CURRENT LIABILITIES			
We owe the following items:—			
Amounts due for materials supplied and expenses incurred	981,000		274,000
Taxes on profits currently payable	320,000		273,000
Money lent to us by the banks by way of overdraft	107,000		82,000
Final dividend recommended by the directors	108,000		66,000
		1,516,000	695,000
Our net current assets are therefore		1,530,000	655,000
FIXED ASSETS			
These are not readily realisable but are necessary to the running of the business.			
The values shown are at cost or valuation in the case of certain foreign subsidiaries, less adequate amounts provided by way of depreciation:—			
Land and buildings	663,000		296,000
Plant, machinery, furniture, fixtures, equipment and vehicles	704,000		372,000
	1,367,000		668,000
Investments in associated companies	13,000		6,000
		1,380,000	674,000
GOODWILL			
This arose on the purchase of foreign subsidiary companies		246,000	—
Our total net assets, therefore, amount to		£3,156,000	£1,329,000
SHAREHOLDERS' FUNDS			
Our total net assets are represented by shareholders' funds as below:—			
Preference shareholders	165,000		165,000
Ordinary shareholders	880,000		165,000
		1,045,000	330,000
Reserves—Capital	1,110,000		43,000
Revenue	427,000		720,000
		1,537,000	763,000
Taxes on the profits to date, not currently payable	224,000		201,000
Taxation equalisation account which is created in order to spread the effect of tax allowances which would otherwise distort the taxation charge on the profits for the year	26,000		35,000
		250,000	236,000
		2,832,000	1,329,000
LOAN CAPITAL			
Money borrowed on short term to assist in financing expansion of the business		324,000	—
		£3,156,000	£1,329,000

CITY NOTES

STOCK-MARKET business has continued to be selective in character with company news the main influence on prices. The City seems to be getting more disappointments than pleasant surprises at the present time, but in the main, forecasts by the City are not over optimistic. Cut profit margins continue to be the main factor, and many a company chairman reports higher turnover only to show that this increased activity has resulted in lower available profits.

Basically, any real upward movement in equity markets is now likely to await the Budget which is probably only about six weeks away. The authorities are faced with some dilemma here in that if current curbs are released too soon it could be taken as a 'green light' with the danger of a runaway all over again. On the other hand, some indication of an expanding economic policy is needed and the City urgently requires another Bank rate reduction, in order that industrial financing can be undertaken on less expensive lines.

In such conditions markets are likely to remain 'itemized' for a while, although it has to be admitted that the undertone is satisfactory enough. Any real indication that the economy was on the upgrade would undoubtedly find willing buyers and stock by no means plentiful at current prices.

RATES AND PRICES

Closing prices, Wednesday, February 28th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Dec. 22	£5 7*s* 3·18*d*%	Jan. 26	£5 4*s* 10·06*d*%
Dec. 29	£5 8*s* 0·72*d*%	Feb. 2	£5 4*s* 4·93*d*%
Jan. 5	£5 8*s* 7·81*d*%	Feb. 9	£5 8*s* 0·74*d*%
Jan. 12	£5 8*s* 6·03*d*%	Feb. 16	£5 9*s* 10·81*d*%
Jan. 19	£5 6*s* 2·35*d*%	Feb. 23	£5 10*s* 7·47*d*%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	$5\frac{11}{16}$–5¾%
Fine Trade Bills		3 months	$5\frac{11}{16}$–5¾%
3 months	6¾–7½%	4 months	$5\frac{11}{16}$–5¾%
4 months	6¾–7½%	6 months	$5\frac{11}{16}$–$5\frac{13}{16}$%
6 months	7–8%		

Foreign Exchanges

New York	$2{\cdot}81\frac{7}{16}$–½	Frankfurt	11·25¼–½
Montreal	2·95½–⅝	Milan	1747½–¾
Amsterdam	10·18–½	Oslo	20·04¾–·05
Brussels	140·09¼–¾	Paris	13·79⅛–⅜
Copenhagen	19·37½–¾	Zürich	12·19¼–¾

Gilt-edged

Consols 4%	$61\frac{9}{16}$	Funding 3% 59–69	$83\frac{9}{16}$
Consols 2½%	40¼	Savings 3% 60–70	79¼
Conversion 5¼% 1974	92⅜	Savings 3% 65–75	$71\frac{1}{16}$
Conversion 5% 1971	$91\frac{5}{16}$	Savings 2½% 64–67	86⅝
Conversion 3½% 1969	$85\frac{3}{16}$	Treasury 5½% 2008–12	87
Conversion 3½%	53⅞	Treasury 5% 86–89	$85\frac{1}{16}$
Exchequer 5½% 1966	$98\frac{25}{32}$	Treasury 3½% 77–80	$71\frac{1}{16}$
Funding 5½% 82–84	91¼	Treasury 3½% 79–81	$69\frac{13}{16}$
Funding 4% 60–90	89⅜	Treasury 2½%	39¼xd
Funding 3½% 99–04	60¼	Victory 4%	$92\frac{9}{16}$
Funding 3% 66–68	$84\frac{9}{16}$	War Loan 3½%	55⅛

Reviews

Income Tax

by J. LEIGH MELLOR, LL.B., Barrister-at-law. (Sir Isaac Pitman & Sons Ltd, London. 30*s* net).

Of books on income tax there is no end and it seems that new ones are constantly being added to the old favourites. This one is by a lawyer but it is addressed to accountancy, secretarial and banking students, as well as to law students. Nevertheless, he does not forbear to warn that while knowledge of accountancy and experience of business are helpful in understanding the facts of particular cases, such attributes may be a disadvantage in solving legal problems, because the approach of an accountant or business man to a legal problem is not necessarily that of a lawyer'.

Mr Mellor goes on to lay stress on the fact that before one deals with the income tax aspects of a transaction or situation, one should first be sure what is the position in general law, independent of the income tax acts. In this connection the author says that the Court will disregard 'mere nomenclature and sham documents, etc.'. One of the constantly recurring problems in income tax is to decide whether a document is indeed a 'sham' and there seems to be no general answer.

Another telling point made by the author is the one against an advocate who cites a string of *dicta* (often out of context) in support of an argument but who does not analyse the cases from which he quotes.

Advanced Accounting – An Organizational Approach

by NORTON M. BEDFORD, PH.D., C.P.A., KENNETH W. PERRY, PH.D., C.P.A., and ARTHUR R. WYATT, PH.D., C.P.A. (John Wiley & Sons Ltd, London. 75*s* net.)

In one of the stately half-crown homes of England may be seen a mammoth decanter which, when charged for its function of dispensing sherry, needed three muscular menials to lift and operate it. It would scarcely be fair to compare *Advanced Accounting* (physically weighty though the book is) with this

absurdity but at least it took three men to write it and, on closer inspection, the reviewer is not surprised.

The authors present the material not as it is usually purveyed in textbooks but in an evolutionary manner – that is, they take the life cycle of a normal business and deal in turn with formation, maintenance, expansion, contraction and, finally, liquidation. This arrangement has the advantage of giving the text a logical sequence which holds the reader's attention and enables him to understand the operational problems in the order in which they are likely to arise.

As well as covering all the conventional situations, the authors have attempted to break new ground by stressing the accounting implications of price-level fluctuations and indicating, at some length, what accounting data should be available to management about to begin an expansionist phase. These and other features are, in the main, novel to the great majority of advanced accounting textbooks.

The sturdy but slowly diminishing band of members of the Scottish Institute who qualified when actuarial science was a required subject, may care to revive nostalgic or nightmarish memories on consulting the appendix to the book which lightly runs through the basic principles of that diaphoretic examination torture and which begins with the provocative sentence:

> 'An understanding of the basic ideas involved in actuarial science as applied to accounting is essential if the accountant is to perform with maximum effectiveness in his profession.'

Even if they do not now comprehend a single word of the appendix, they can at least drink a toast to themselves as the young mathematical giants of yesteryears. Pass that decanter.

How to Read Statistics

by I. R. Vesselo, M.ED., B.SC. (George G. Harrap & Co Ltd. 12*s* 6*d*).

Use and Abuse of Statistics

by W. J. Reichmann. (Methuen & Co Ltd. 22*s* 6*d*).

Most people, it has been said, use statistics like a drunken man uses a lamp-post, more for support than for illumination. For this reason statistics have a bad name and it is gratifying to see professional statisticians trying to explain in simple terms how statistical data should be interpreted. Both of these books stress this aspect; indeed, Mr Reichmann's study is entirely devoted to illustrating the nature and bases of statistics. It is, however, substantially free of mathematics since he makes no effort to explain the *modus operandi* of statistical calculation. It is a book to be read and its lessons digested, but the reader will find it a quite substantial meal in parts.

Mr Vesselo's slimmer study will serve primarily as a textbook for students taking elementary statistics as an examination subject. The exposition of methods is good but the reviewer at least believes that the discussion of probability is too condensed for the type of reader who will profit from the rest of the book. The inclusion of scaling is clearly aimed at the education student rather than the general reader, but many teachers will welcome this book for revision purposes, if not as an introductory text. Certainly the accountant who likes figures and is interested in statistical method and its potential link with business management will find this book quite interesting and helpful. On the other hand, for the accountant who wishes to understand how statisticians think and approach their problems, Mr Reichmann's book can be recommended.

Palmer's Private Companies (*Forty-second edition*) Palmer's Company Guide (*Thirty-seventh edition*)

(Stevens & Sons Ltd, London. 15*s* net and 21*s* net respectively.)

Somewhat ominously, the lady with the sword and scales who dominates the pinnacle of the Central Criminal Court building in Old Bailey is used as an illustration on the jacket of these books, both of which are in the publisher's *This is the Law* series. Accountants and others, however, who study their contents – thoroughly revised in both cases – need have no fear that they will fall foul of her. *Palmer's Private Companies* was first published in 1877 and this is its forty-second edition. The companion volume has run through thirty-seven editions in about double that number of years. No further confirmation of their reliability and continuing usefulness is necessary.

The present editor, Mr T. E. Cain, M.A.(OXON.), carries on the work of his predecessors with due respect for tradition but does not hesitate to remove, rewrite or add sections as required. The effect of this pruning and grafting is to give better balance to the texts. For example, in *Palmer's Company Law* most of the forms set out in the previous edition have been eliminated as these may readily be consulted in one of the larger volumes of precedents and, in *Palmer's Private Companies*, the number of cross-references and footnotes has been greatly increased.

In a world where constant change is inevitable, it is reassuring to see that this excellent series of manuals continue to lay down the current law quietly and effectively as if nothing much had happened since they first appeared in the now far-off Victorian era.

Underhill's Law Relating to Trusts and Trustees

Second Cumulative Supplement to eleventh edition by M. M. WELLS, M.A., Barrister-at-law. (Butterworth & Co (Publishers) Ltd, London. 12*s* 6*d* net)

This is a more than usually important supplement because in addition to the noter-up which brings the text up to September 1st, 1961, there is an introduction to the very important Trustee Investments Act,

1961, the text of the Act itself, and seven practical examples of the application of the new Act, prepared by Mr A. W. Nelson, A.A.C.C.A., A.T.I.I.

Even if one does not possess a copy of the main textbook, this is a cheap and convenient vade-mecum through the new Act not otherwise available. Those concerned are to be congratulated on this thorough and painstaking approach to some new law which is of the utmost importance to trustees and beneficiaries alike.

Staples on Back Duty

Eighth edition by PERCY F. HUGHES. (Gee & Co (Publishers) Limited. London. 30*s* net).

The passing of Part III of the Finance Act, 1960, has completely revolutionized the law relating to back duty and has necessitated a complete recasting of this well-known work; a recasting which Mr Hughes has carried out with the vigour and thoroughness which one would expect of him. Not only has he dealt extensively with the new legislation but also with such important new cases as *Amis v. Colls; Hinchy v. C.I.R.;* and *Pierson v. Belcher.*

New departures in this edition are the verbatim reproduction of the relevant legislation and of the relevant parts of the 1955 report of the Royal Commission on Taxation. At the same time the paper, the printing and the binding have all been considerably improved.

Part III of the 1960 Act is not the sort of drafting which leaves the reader without any doubt; only litigation can finally reveal the precise meaning of some of the more obscure provisions. In the meantime Mr Hughes provides some very useful guidance.

Lexique U.E.C. Lexicon

(Verlagsbuchhandlung des Instituts der Wirtschaftsprüfer GMBH, Düsseldorf. 62 DM.)

One of the chief barriers to international communication in most spheres of human activity is the lack of a universal language and this applies in particular to a science like accounting where so often special meanings are given to quite ordinary words. Even where the basic language used is common to two countries – as in the case of the United Kingdom and the United States – differences in terminology are frequent and this absence of uniformity confuses not only the British and the Americans but also 'foreigners' inexpert in the so-called common language.

In an attempt to lower the language barrier, the Union Européenne des Experts Comptables, Economiques et Financiers (U.E.C.) has devoted many years to preparing a multilingual accounting dictionary and the first edition which has just appeared sets out definitions of accounting terms in five languages – French, German, English-American, Spanish and Dutch. In the next edition, it is hoped to add Italian and Portuguese sections as well as one on 'phraseology peculiar to British usage' (as opposed, presumably, to American usage).

The value of such a compilation cannot be assessed on publication and it will ultimately establish itself only if there is a sufficient need for it and if the quality of its text is satisfactory. Prima facie, the climate for both conditions being fulfilled is promising. On the first count, the emergence of a European Common Market should create a demand for the dictionary and a test check of the present contents confirms that the number (about 1,000) of the entries and the standard of the definitions are high enough to form an ample working nucleus although modifications and enlargements will no doubt be features of subsequent editions. With pleasing humility, the publishers have issued a suggestions form (in five languages) on which 'alterations' and 'complements' may be noted for future incorporation.

A word of praise is immediately due for the admirable layout of the necessarily complicated text, the good quality of the paper and binding and the clarity of the printing, all of which make for quick and easy reference.

RECENT PUBLICATIONS

CASH FLOW ANALYSIS FOR MANAGERIAL CONTROL, Research Report No. 38. 63 pp. 9×6. Card covers. $2. National Association of Accountants, 505 Park Avenue, New York 22, N.Y.

WORK STUDY IN THE OFFICE, second edition revised and enlarged, by Harry P. Cemach, F.C.A., F.I.L., M.I.O.M., M.INST.W.S. 212 pp. 9×5½. 30*s* net. An Office Magazine Publication: Current Affairs Ltd, 319 High Holborn, London WC1.

BEEF ON THE ARABLE FARM, Report No. 56, by P. G. James and R. J. Gayton. 56 pp. 10×7½. Paper covers. 4*s* post free. Issued by the Farm Economics Branch, School of Agriculture, Cambridge University.

TOPOLSKI'S LEGAL LONDON with text by Francis Cowper and a foreword by the Rt Hon. The Lord Birkett, P.C. xi+76 pp. 10×15. 3½ gns. Mounted plates of drawings available separately at 12*s* 11*d* (including purchase tax) each, except 'The Re-opening of the Law Courts': 25*s* 11*d* (including purchase tax). Published for *The Lawyer* by Stevens & Sons Ltd, London.

THE TYPISTS' AND PRIVATE SECRETARIES' GUIDE TO PRACTICAL OFFICE METHODS, by Derek Henry, A.C.W.A., M.I.O.M., F.INST.D. 190 pp. 7½×5. 18*s* 6*d* net. Colin Venton Ltd, The Uffington Press, 22 High Street, Melksham, Wilts.

MACGILLIVRAY ON INSURANCE LAW, fifth edition, by Denis Browne, M.A. Volume I: lxxx+514+49 pp. Volume II: viii+710+49 pp. 10×6½. £12 12*s*. Sweet & Maxwell Ltd, London.

THE 1961 INCOME TAX LEGISLATION IN THE FEDERATION OF RHODESIA AND NYASALAND, by A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). 66 pp. 10×6. Card covers. £1 6*s* 6*d*. Published by Juta & Co Ltd, South Africa; [illegible] London.

[illegible] ACT, 1961, by M. M. Wells, [illegible]les by A. W. Nelson, [illegible] 10×6. Card covers. [illegible]s & Co (Publishers)

[illegible]th edition, by [illegible]t. F.A.C.C.A., [illegible] Maxwell

Aids to Office Efficiency

AT NEXT WEEK'S BUSINESS EFFICIENCY EXHIBITION AT LEEDS

NEW MACHINES are seldom launched at provincial business efficiency exhibitions, and this tends to make people who visit the main event believe that subsidiary exhibitions hold little or no interest for them. In fact, this could only be true for those who were able thoroughly to examine and evaluate all the new items shown at Olympia – and how many of us can claim to have done this?

At the Leeds Business Efficiency Exhibition, to be held in Queen's Hall from March 5th to 9th inclusive, there are no less than eighty-five exhibitors. This large number clearly indicates that a representative cross-section of the industry will be taking part and, at the same time, emphasizes the growing importance placed both by exhibitors and the public on out-of-London shows. We therefore make no apology for pre-viewing at some length some of the newer equipment to be seen at Leeds. For intending visitors it will, we hope, usefully spotlight some of the most recent developments; for others it may perhaps be of some value as a brief reminder.

To make reading easier, machines are grouped under headings and the full names and addresses of companies mentioned in the text are listed at the end of each of these sections.

Accounting and Book-keeping Machines

THE stands of Burroughs and National Cash will undoubtedly attract not only those with a direct interest in large-scale accounting machines but the many who enjoy seeking the spectacular capabilities and performances of the latest models.

Both these companies are publicly demonstrating electronic multiplying machines for the first time outside London. National's *Compu-Tronic* has instant electronic multiplication in decimals or in £ *s d*, this function being performed by a unit neatly tucked away in the machine's pedestal. In other respects, the *Compu-Tronic* resembles a *Class 31* direct entry accounting machine. Jobs like invoice extensions (quantity × unit cost) and payroll calculations (hours × hourly rate) are quickly and completely done in one operation. The machine also calculates items like percentages and trade discounts, either on a manual selection basis or via an interchangeable programme bar. It can, without modification, be coupled to an automatic paper tape or card punch.

Burroughs' *F.2000* is described as 'a low-cost computer which includes multiplier, multiplicand and product accumulator storage, with up to eighteen memory units'. Electronic multiplication greatly speeds up tasks such as stores recording, order control, material and labour costing, payroll and invoicing. This machine, too, can be coupled to an automatic card or tape punch.

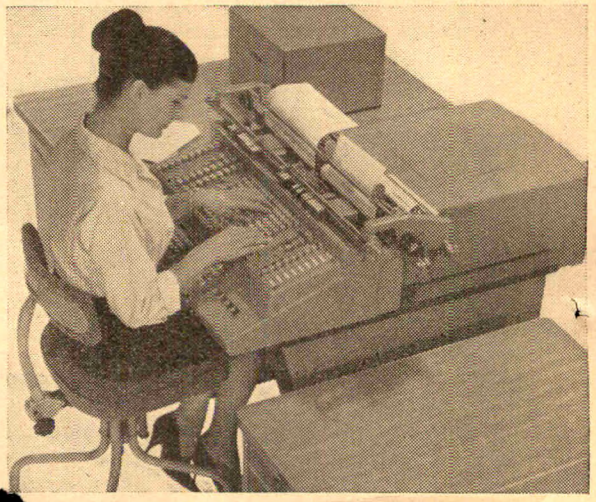
Fast, highly automated [illegible]nt-ing machines by th[illegible]s' *F.5500 Sensimatic* wi[illegible]nd an analysis mac[illegible] vides twenty-[illegible] 27-pocket s[illegible] *Class 33* [illegible] ters. S[illegible]

information entered on the keyboard can be simultaneously analysed under up to seventeen different heads. Its interchangeable control programme bar can perform nearly one hundred different automatic functions.

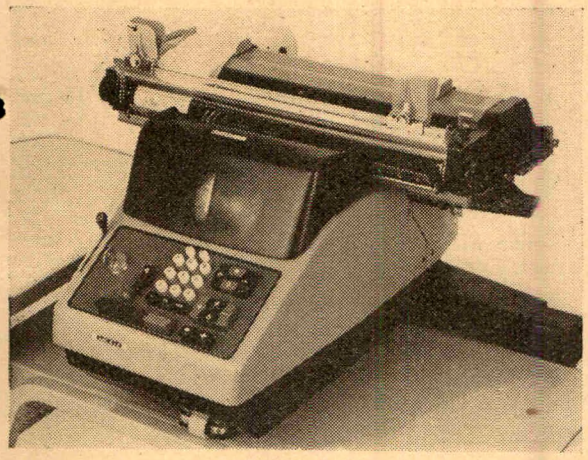
For really large-scale analysis and other accounting functions there is the *Logabax* (produced by the company of the same name) with its 200-odd registers and optional tape punch. This machine has recently been re-styled.

There will also be a considerable range of smaller accounting and book-keeping machines, to which there have been several recent additions. Olivetti's *Audit* series includes machines with simplified numerical keyboard with or without typewriter. Monroe's *President* series has a full-figure keyboard and there are models with from one to four registers. Demonstrations will include ledger posting and pay-roll, and visitors will be encouraged to try these very simple machines for themselves.

The *Odhner* book-keeping machine (Block & Anderson) has a simplified keyboard, two full registers



National Sterling Compu-Tronic



Olivetti Audit

(both accumulating cross-footers), and a memory unit which extends applications beyond the normal range of a two-register machine. Addo are making a special feature of a ledger system using an *Addo-X 7447/80* accounting machine and a dyeline photocopier. The accounting machine is the latest in this class and its features include automatic feed device for insertion and alignment of documents and a switchable control bar which embodies four separate programmes. Another Addo machine will be shown linked to an IBM card punch.

The frequent linking of accounting and other office machines to tape or card punches shows a growing appreciation of these 'by-product' media which can be further processed in a domestic installation or at a computer or punched-card service bureau. An interesting item in this connection is I.C.T.'s tape-to-card punch for 8-channel tape being shown for the first time ever at Leeds. Previous converters could only accept the less versatile 5-channel paper tape.

Companies' addresses:

Burroughs Machines Ltd, 356/366 Oxford Street, London W1.

National Cash Register Co Ltd, 206/216 Marylebone Road, London NW1.

Logabax Ltd, 21 Buckingham Palace Road, London SW1.

British Olivetti Ltd, 30 Berkeley Square, London W1.

Monroe Calculating Machine Co Ltd, Bush House, Aldwych, London WC2.

Block & Anderson Ltd, Banda House, Cambridge Grove, London W6.

Addo Ltd, 47/51 Worship Street, London EC2.

I.C.T. Ltd, 149 Park Lane, London W1.

Desk Calculators and Adding Machines

THE latest addition to the *Diehl* range, the *VSR* calculator, has direct transfer between storage register and keyboard, thus eliminating much figure copying. Since one authority has stated that transposition from one register to another is one of the commonest causes for error in calculating, this machine should considerably help production of accurate results. It is equally suitable for commercial, technical or scientific applications.

A printing calculator, the *Addo-X 3541E* is said to be of special interest to technical and commercial education bodies. The machine's features include short-cut and negative multiplication, constant factor lock, mark-up and discount keys, and an accumulating register.

A feature of the *Facit* hand-operated calculator is its back transfer facility from quotient dials to keyboard. Capacity is $11 \times 9 \times 16$ and it has ten keys. A recent addition to the *Marchant* range is the *TR 10 FA* which, at the touch of a key, transfers from product dial to keyboard. Exceptionally fast (1,300 revs./min.), this machine, like others in the series, has an automatic decimal pointing system. Block & Anderson show both these makes.

Underwood's *200* add-lister will be shown for the first time anywhere. Light-weight, hand-operated, it also subtracts; operates in sterling; has an 11-digit totalling capacity; a 15-key board. A recent addition to Burroughs' range is an electric 12-key add-lister with subtraction, which works in £ *s d* or whole numbers.

Companies' addresses:

Archimedes Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London SW1.

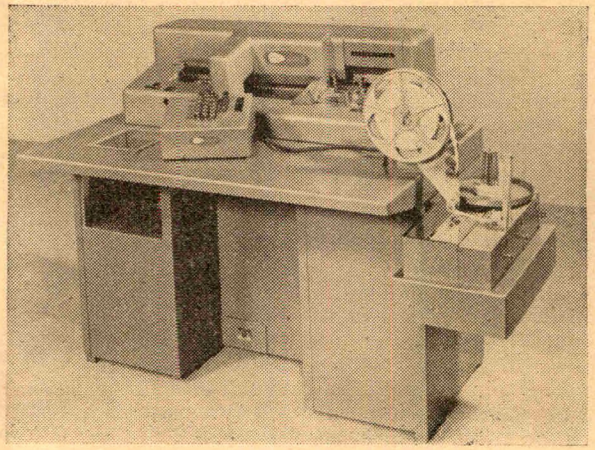
Addo Ltd, 47/51 Worship Street, London EC2.

Block & Anderson Ltd, Banda House, Cambridge Grove, London W6.

Underwood Business Machines Ltd, 4–12 New Oxford Street, London WC1.

Duplicating and Photocopying

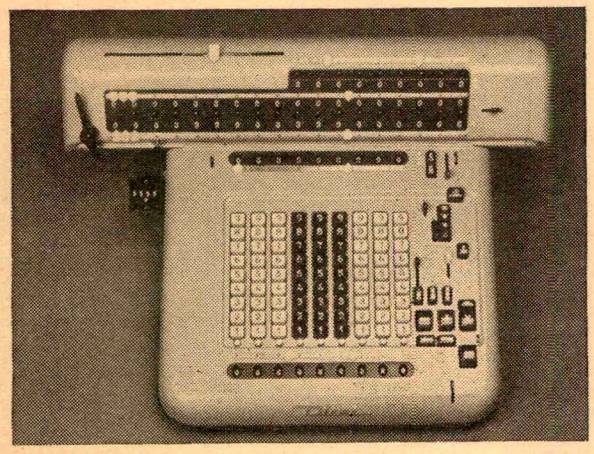
ROTAPRINT'S newest small offset duplicator is the *R.70 Quick Change* which has automatic plate clamping, fixative application, paper feed and blanket washing; simplified controls and a speed of 5,000 copies per hour. Particularly suitable for short runs, when used with low-cost paper masters, it also accepts metal plates and produces work of standard *R.70* quality. A. B. Dick's *356* and *366* small offset machines are for automatic imprinting of personalized cheques, deposit



I.C.T. Tape-to-Card Punch

slips, etc. Both run at high speed; collate as well as imprint; are self-programming to ensure delivery of the right number of documents.

Photocopiers to watch out for include Ilford's *Azoflex 155* first shown at Olympia last October. A dyeline machine, chiefly for business systems work, it makes 3,000 foolscap-size copies per hour and can handle originals up to 13×16 inches. Completely automatic, it delivers finished prints to a stacking tray



Diehl VSR Calculator

or to a 25-compartment paddle-wheel collator which can be provided as an extra, as can an automatic pre-feed stacker.

Three machines which accept brief-size work will be of particular interest to accountants. Kodak are showing for the first time a new *Verifax* model, *A3 Witness*, which makes copies up to 14×18 inches, and can produce up to five from one matrix. The makers stress the permanency of copies made by the *Verifax* process. An exceptionally slim rotary diffusion transfer machine from A. B. Dick is the *115*, which has a 15¼-inch feed width and takes originals of any length. Its features include a swinging paper guide designed to ensure accurate registration between original and copy paper. Office Mechanization's *Speed-O-Print 50*, which takes originals up to 15 inches wide by any length, is a console-type machine which, provided with its own cabinet, has ample storage space for materials. It is filled with ready-mixed developer which is supplied in plastic sacs.

Minnesota Mining's latest *Thermofax* is *Secretary 44* which not only produces dry copies on opaque or translucent material but can also laminate a protective transparent film on to documents. Remington's *Autospeed* (diffusion transfer process) is said to copy faster than ever before, since exposure and development are telescoped into a one-stage process. It is also very economical with developer and needs minimal maintenance. Also diffusion transfer is the Anson *S.K-B40*, features of which include a new, higher-powered light source and a timing device. Exposure can be completed within two seconds and there is a wider time latitude than before. This factor makes the copier easier to use and minimizes waste of materials through incorrect exposure. A brief-size version is also available.

Companies' addresses:

Rotaprint Ltd, Rotaprint House, Honeypot Lane, London NW9.

A. B. Dick Co of G.B. Ltd, Cavendish House, 57–59 Uxbridge Road, London W5.

Ilford Ltd, Ilford, Essex.

Kodak Ltd, Recordak Division, 246 High Holborn, London WC1.

Office Mechanization Ltd, Ofrex House, Stephen Street, London W1.

Minnesota Mining & Mfg. Co Ltd, 3M House, Wigmore Street, London W1.

Remington Rand Ltd, Remington House, 61 Holborn Viaduct, London EC4.

George Anson & Co Ltd, 75 Southwark Street, London SE1.

Collators

HIGH-SPEED reproduction demands fast collating methods, otherwise distribution is hopelessly slowed. Two companies are showing collators recently introduced to this country. Gordon & Gotch have the 12-station *Gathermatic* in the well-known *Thomas* series which is American in origin. The machine, which accommodates sheets varying from 3×5 inches to 11¼×14¼ inches, collates up to 6,000 per hour. Detector devices stop it running if a double is fed or a sheet missed. A stapler attachment can also be used independently. In conjunction with *Gathermatic* it works at the same speed and inserts one or two staples into sets which the machine has automatically jogged. Far less automated, but a great deal faster and less laborious than hand collating, is the *Collax* (Archimedes Diehl) which is alternatively operated by a hand or foot control attached to either side of its small stand. Made with six, eight, ten or twelve compartments for various sheet sizes, it is probably unique in being capable, with the addition of a simple auxiliary device, of handling twice as many half-size sheets as there are compartments.

Verifax A3 Witness Copier

Companies' addresses:

Gordon & Gotch Ltd, 8/12 St Bride Street, London EC4.

Archimedes-Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London SW1.

Typewriters

BLOCK & ANDERSON'S electric *Facit* has two independently-functioning tabulator systems, one of which can act as a memory, being permanently set in any desired pattern, leaving the other free for day-to-day changes. Quietness in action is a feature emphasized. IBM will be showing two versions of the revolutionary *72* electric (no moving carriage, no type-bars) which created so much interest at Olympia. Underwood's recent electric, *Raphael*, is notable for proportional letter-spacing and its exceptionally elegant type face. Characteristics of Remington's latest electric include visible margin settings, a fractional back-spacer, end-of-page positioning scale and two ribbons.

Companies' addresses:

Block & Anderson Ltd, Banda House, Cambridge Grove, London W6.

IBM United Kingdom Ltd, 101 Wigmore Street, London W1.

Underwood Business Machines Ltd, 4–12 New Oxford Street, London WC1.

Remington Rand Ltd, Remington House, Holborn Viaduct, London EC4.

Cash and Cheque Handling

AMONG new and recently-launched machines in this category are a series by Acral which includes devices for writing and/or signing individual or continuous cheque forms. There are electric and hand-powered versions. An unusual signature machine,

New Remington Electric Typewriter

suitable for many documents besides cheques, is the *Autograph* (British Equipment Co) which uses an ordinary fountain pen and therefore reproduces an exceptionally authentic-looking signature from a 'master'. There are two models, one for single documents, the other for continuous forms. *Bandacheck* (Block & Anderson) is an inexpensive bank-note counting machine which can cope with a mixture of old and new notes at a speed of one hundred per seven seconds.

Companies' addresses:

Acral Ltd, Sentinel House, Southampton Row, London WC1.

British Equipment Co Ltd, Ixworth House, Ixworth Place, London SW3.

Block & Anderson Ltd, Banda House, Cambridge Grove, London W6.

Correspondence

The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed. Letters must be authenticated by the name and address of the writer, not necessarily for publication.

The Training of Accountants

SIR, – Your correspondents' strictures on professional training may well be justified elsewhere in the country but are much less applicable to the Midlands.

Here at the Staffordshire College of Commerce a month's introductory course for articled clerks has been held twice yearly since Mr Parker first suggested it four years ago. Numbers have already risen to thirty, and staffing arrangements assume one hundred for next September and January combined, as common sense and conscience force more and more firms between Coventry and Shrewsbury to send us their articled clerks. There are still principals who refuse point blank, but the largest Birmingham firms already realize that the articled clerk we give back to them is a very different young man from the one we took at the beginning of the month, and the claim that four weeks with us places him on a par with others his senior by twelve months can confidently be maintained.

Recent articles in *The Accountant* have resulted in requests from several articled clerks for a further short course for Intermediate students a year from now, and we also have Final A.C.A. classes on Monday mornings and afternoons attended by Wolverhampton articled clerks, whilst our Intermediate and Final revision classes last November had a total of thirty-nine students.

Yours faithfully,

E. COCKSON-JONES,

B.COM., B.SC.ECON., F.C.A.

Staffordshire College of Commerce,
Wednesbury.

SIR, – The Taverners are a group of London chartered accountant students formed in 1959 to provide cultural and social facilities for articled clerks. At our second annual general meeting in October 1961 a sub-committee was set up to report on articled clerks' status and education. This report is now in process of being submitted to The Taverners in general meeting, but we feel your readers will be interested in some of the more important points contained in it, in view of the current controversy regarding the recommendations in the Parker Report.

It is considered that the Institute should take a more direct interest in the training of its future members

(*a*) by ensuring that principals can offer an adequate range of practical experience before they first take articled pupils;

(*b*) by being a third party to the articles of clerkship, entering actively into the clerk's service through a minimum of two interviews of the articled clerk during his service by a local committee;

(*c*) by declaring the first six months of articles to be a period of probation, determinable by either side with the permission of the Institute;

(*d*) by establishing an accountancy school to undertake both lecture courses and correspondence courses.

The accountancy school should have a permanent director of studies and a trained tutorial staff – the existing tutorial organizations might provide a basis for this – and should be set up in close co-operation with the students' societies. It is envisaged that two compulsory courses be provided, each of one month. The first should be soon after the probationary six months of articles, the second in the year preceding the Final examination. While it is recognized that the bulk of the theoretical training must continue to be obtained by means of correspondence courses, there is the very great drawback of an almost complete lack of personal contact between tutor and pupil. Every attempt must be made by the Institute to provide this relationship. The school and the courses will go some way towards improving the situation.

The cost of running the school should be borne by the articled clerk, who will pay a fee comparable to that being charged by the present tutorial organizations. The Parker Committee recommended that a fee of about £25 be levied on articled clerks on the registration of their articles in addition to the present fees they pay to tutorial organizations, to constitute an education fund which would provide the whole of the Institute's expenditure on students' activities. We are very doubtful whether it could be demonstrated that this is not excessive: if it is to be implemented, it should be in conjunction with a comprehensive scheme for the full professional education of articled clerks.

The committee feels strongly that the Institute have a moral obligation to provide their own training for their own profession.

The adoption by the school of all educational facilities would leave student societies' funds free to be used more widely than at present – for instance, The Taverners would like to see lectures on subjects other than those purely concerned with accountancy, so as to broaden the outlook of articled clerks, particularly those who have not had the benefit of university education.

In the meantime, articled clerks should be required to pay an annual subscription of £1 1*s* to their students' society in addition to the present subscription paid by their principals. We feel strongly that students should contribute to their own students' society, particularly now that salaries are generally paid to articled clerks. This will help to combat the general apathy which prevails at the moment.

An example of the importance of students' own ideas about their needs is illustrated in the history of the Students' Club now firmly established in the centre of London. The Taverners found the premises but the Students' Society rejected them on the grounds that this was not within its objects. The Taverners then made other arrangements without any outside financial support. The figure for membership, which totals nearly 1,700 after only seven months in existence, tells its own story. The club is open to all members of students' societies on payment of a 10*s* annual subscription, and representatives of each London social group are members of its general committee.

We have tried to show that students are prepared to contribute to their society so as to receive a general broadening of their education. The majority of articled clerks come straight into business from the narrow confines of school. Articles should far more closely parallel a university education than they do at the moment, and the great guiding light of all students' societies should be that ambition.

It is to the realization of that ambition that the report was dedicated.

Yours faithfully,

G. R. FRESHFIELD, *Chairman*,
THE TAVERNERS.

London E11.

SIR, – As a result of Professor Baxter's article in your issue of January 20th, many useful opinions on future training of chartered accountants have been given.

I am at present engaged in university research on this subject and would appreciate your help by allowing me to use your correspondence columns to ask any readers if they would be kind enough to send me any suggestions they may have for methods of training or post-qualification specialization. All letters received will be acknowledged.

Yours faithfully,

S. A. MARSHALL,
B.A.(COM.), F.R.ECON.S., A.C.A.

7 Meadow Drive,
Keyworth, Notts.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Dublin on Friday, February 16th, 1962.

Attendance

The President, Mr A. E. Dawson, was in the chair and there were also present:

Messrs R. E. McClure, *Vice-President*, John Eacon, A. S. Boyd, G. E. Cameron, Frank Cleland, N. V. Hogan, John Love, R. J. Neely, W. H. O'Donnell, H. W. Robinson and D. McC. Watson, with the *Secretary* and the *Assistant Secretary*.

Apologies for absence were submitted from Messrs G. A. P. Bryan, M. M. Connor, J. F. Dempsey, James Graham, R. P. F. Olden, James Walker and the Joint Secretary and Treasurer.

Deaths

The deaths of the following members were reported and noted with regret:

Brandon, William Harold, A.C.A. (Lisburn, Co. Antrim).
McGarry, Henry, A.C.A. (Dublin).

Resignations

The following resignations from membership were accepted:

Jackson, Maurice, F.C.A. (Belfast).
O'Beirne, Thomas Joseph, A.C.A. (Dublin).

Fellowship

The following Associates were elected to Fellowship of the Institute:

Hynes, Eamonn L. (Galway).
McCay, Henry (Londonderry).
Mills, Robert McNeill (Ballymena).
Poole, Robert Tinsley (Dublin).
Vaughan, Albert (Portadown).

Practice

The following members were admitted to practice:

Belton, Denis John (Dacca, East Pakistan).
Dempsey, Robert Augustine (Dublin).
Hunt, Kenneth (London).
Phelan, Thomas Patrick (Dublin).
Phillips, Manfred Henry (Bombay, India).
Strickland, James Augustine (Dublin).

It was reported that the following members had ceased to practise:

Graham, Thomas Saunders, F.C.A. (Belfast).
Mullen, John Oliver Plunkett, A.C.A. (Dublin).

Membership

The following candidates, who were successful at the Final examinations held in November–December 1961, were admitted to membership:

(1) INSTITUTE FINAL

As Associates in Practice

Crowley, Laurence G. (Dublin); Kearney, Leo C. (Newry, Co. Down).

As Associates not in Practice

Beatty, Eric D. J. (Dublin); Bourke, John O. P. (Dublin); Boyd-Barrett, David J. R. (Dublin); Browne, William P. (Longford); Byrne, Patrick B. (Drogheda, Co. Louth); Claffey, Patrick J. B. (Ballymahon, Co. Longford); Clarke, James A. (Belfast); Coen, Francis O. (Athlone, Co. Westmeath); Cooley, Samuel A. G. (Craigavad, Co. Down); Cox, Patrick A. (Dublin); Delaney, Daniel (Dublin); Dowie, George (Belfast); Foo, Yee Yuan (Dublin); Fox, Joseph D. (London); Grealy, Thomas J. (Tralee, Co. Kerry); Hally, Desmond L. (Dublin); Hargaden, Michael F. (Dublin); Hayes, John J. (Dublin); Jackson, Edward S. (Belfast); Jeffers, Alan T. (Kildare); Kennedy, John J. (Dublin); Leonard, Eamon P. (Dublin); McAvoy, James D. (Belfast); McGovern, Peter F. (Dublin); McKenna, Patrick D. (Dublin); Moulton, Raymond A. (Dublin); Moynihan, Martin A. (Dublin); Murnaghan, Peter G. (Dublin); O'Sullivan, Patrick K. (Dublin); Pedlow, Thomas K. (Lurgan, Co. Armagh); Phelan, John A. (Bandon, Co. Cork); Plunkett, Miss Olive A. (Dublin); Rafferty, Hugh H. (Belfast); Sheehan, Finbar M. (Dublin); Spain, James P. (Dublin); Stakelum, John J. (Dublin); Veale, Thomas M. (Dublin); Walsh, Patrick C. (Dublin); White, Desmond M. C. (Dublin); Woods, John K. (Dublin).

(2) SOCIETY FINAL

As Associates not in Practice

Barrett, Donald J. (Dublin); Grant, Vincent D. (Belfast); Jackson, Ronald A. (Dublin); Kennedy, Mel P. (Dublin); Waddell, Robert J. (Bangor, Co. Down); Webb, John A. (Dublin).

An application by a former member for re-admission to membership of the Institute was considered and was refused.

Committees

Reports were received from the Finance and General Purposes, Premises, Taxation, Policy, Education and Training and Examination Committees.

Examinations

It was reported that arrangements had been made to hold Parts II and IV of the Institute examination from May 8th to 11th and Parts I, III and V from May 18th to 22nd, and it was noted that provisional arrangements had been made to hold all the Parts from November 6th to 13th, both dates inclusive.

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS DELOITTE, PLENDER, HASKINS & SELLS announce that as from March 1st, 1962, the address of their Zürich office will be Genferstrasse 6, Zürich 2.

MESSRS GRAY, STAINFORTH & Co, Chartered Accountants, announce that Mr T. L. MOOYAART, F.C.A., who has been with the firm for thirty-seven years and senior partner for the past ten years, retired as a partner on February 28th, 1962. He is being retained by the continuing partners as consultant in their offices at 85 New Cavendish Street, London W1, which will remain his address for business purposes. The firm also announces the retirement on the same date of Mr A. E. WEBSTER, who has been a member of their staff since April 13th, 1908.

MESSRS NEWTON, ARMSTRONG & Co, Chartered Accountants, announce that the address of their London office is now 11 Grocers' Hall Court, Poultry, London EC2. The telephone number, Monarch 6231, remains unchanged.

MESSRS PANNELL, CREWDSON & HARDY, Chartered Accountants, announce that after the destruction of their offices in the hurricane at British Honduras, they have secured new offices at 111 North Front Street, Belize, British Honduras, Central America (P.O. Box 197).

Appointments

Mr F. W. Barnes, A.A.C.C.A., A.I.M.T.A., and Mr G. P. Woodall, A.A.C.C.A., have been appointed accountants to the sub-areas of East Sussex and South-west Kent, and Mid-Sussex, respectively, of the South Eastern Electricity Board.

Mr J. V. Bigley, A.C.A., has been appointed secretary of Johnsons of Hendon Ltd.

Mr H. B. Floyd, F.C.A., has been appointed an additional director of Lewis & Burrows Ltd.

Mr James Graham, A.C.A., has been appointed secretary and administrative and financial executive director of James A. Jobling & Co Ltd.

Mr B. M. Lindsay-Finn, B.COM., F.C.A., has been appointed chairman of John White Footwear Holdings Ltd, and Mr C. L. Metcalfe, F.C.A., has been appointed deputy managing director, while continuing as secretary of the company. Mr Metcalfe has also been appointed joint managing director of John White Footwear Ltd. The appointments follow the resignation of Mr John White from his offices and directorships and will be effective from April 1st.

OBITUARY

George Robert Lowe, F.C.A.

It is with regret we record the death on February 11th, at the age of 71, at his home in Welwyn Garden City, of Mr George Robert Lowe, F.C.A.

Educated at Manchester Grammar School, he was articled to the late R. N. Carter, and awarded honours in the Intermediate and Final examinations and the Robert Fletcher Prize. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1913.

After service in the First World War in the Finance Branch of the Ministry of Munitions, he became a partner in Bullimore & Co, of Norwich. In 1930, he moved to London as resident partner of that firm, which in 1931 joined with the practice of Mr S. R. Hogg, D.S.O., M.C., F.C.A., to found the firm of Hogg, Bullimore & Co, now of City Gate House, London EC2. He retired just over a year ago.

Apart from his many active business responsibilities, Mr Lowe gave much of his time to public and social work. For some years he was a member of Welwyn Garden City Urban District Council, being chairman in 1948. He was appointed a member of the boards of Welwyn Garden City and Hatfield Development Corporations on their formation in June 1948, and continued a member until 1956.

A prominent freemason, Mr Lowe was a Past Provincial Grand Warden of Hertfordshire.

IN PARLIAMENT

Shareholders: Information

Sir C. OSBORNE asked the President of the Board of Trade, in view of the large amount of information which has been given to both Imperial Chemical Industries and Courtaulds' shareholders as a consequence of the take-over bid which was not previously available to them, if he will set up an official committee to investigate and report how much more information directors should be compelled to give annually to their shareholders; and if he will make a statement.

Mr ERROLL: No. The need to keep shareholders adequately informed is a matter already under consideration by the Jenkins Company Law Committee.

Hansard, Feb. 22nd, 1962. Written Answers. Col. 68.

Decimal Currency

Mr DU CANN asked the Chancellor of the Exchequer what progress is being made in establishing the committee of inquiry into a decimal currency; and when the report of the committee will be available.

Sir E. BOYLE: The committee, under the chairmanship of Lord Halsbury, has already held several meetings. I hope that its report will be available early in 1963.

Hansard, Feb. 22nd, 1962. Written Answers. Col. 73.

Giro System

Mr W. R. WILLIAMS asked the Postmaster-General why a decision regarding the introduction of the Giro system into the Post Office has been so long delayed; and whether he will regard the matter as one of urgency.

Mr BEVINS: This subject requires careful consideration from many angles, but I will make a statement as soon as I can.

Hansard, Feb. 20th, 1962. Written Answers. Col. 34.

MONOPOLIES AND RESTRICTIVE PRACTICES

Review of 1956 Legislation

The President of the Board of Trade recently announced that a comprehensive review of the Government's present policy on monopolies and restrictive practices is being undertaken. The stage had now been reached in this inquiry, he stated, when it would be helpful to receive the views of trade, of both sides of industry, and of consumers on any subjects covered by the review. The Board of Trade therefore invites the submission of statements on the subject and these should be addressed to the Assistant Secretary, Industries and Manufactures Department (Division 2), Board of Trade, Horse Guards Avenue, London SW1.

Readers will recall that Part I of the Restrictive Trade Practices Act, 1956, requires restrictive agreements relating to the production, supply or processing of goods to be registered with the Registrar of Restrictive Trading Agreements. The agreements are presumed to be against the public interest unless they can be justified in terms of section 21 of the Act.

Part II of the Act prohibited the collective enforcement of resale price maintenance but made specific provision for individual enforcement by legal proceedings. Resale price maintenance has already been the subject of a separate Board of Trade inquiry.

Part III amended the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, so as to confine the activities of the Monopolies Commission principally to consideration of single firm monopolies and export agreements. References made to the Commission since 1956 have related to fertilizers, cigarettes and cigarette machinery, electrical equipment for motor-cars, solus petrol sites and wallpaper.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Residential Course at Oxford

A week-end residential course for members of The Institute of Cost and Works Accountants will be held at Worcester College, Oxford, from Friday evening, April 13th, to Sunday afternoon, April 15th. The theme will be 'The effective use of capital'.

On the first evening, Mr Ian T. Morrow, C.A., F.C.W.A., a Past President of the Institute, will speak on 'The expanding field for the management accountant'. The President of the Institute, Mr Francis M. W. Hird, F.C.A., F.C.W.A., will address the members after dinner on the Saturday evening.

The subjects of the course will cover 'The sources and provision of capital'; 'The preparation of capital expenditure budgets'; 'Economic studies to determine pay-back periods and profitability'; and 'Authorization and control of projects'. Two further subjects will be 'The use of return on investment ratios' and 'The effective control of current assets'.

Speakers taking part will include: Mr J. Borsay, F.C.W.A., a Past President of the Institute, Mr S. J. Careless, F.C.A., F.C.W.A., Mr A. D. MacKay, B.COM., C.A., F.C.W.A., Mr L. N. Norton, F.C.W.A., and Mr G. C. Stone, F.C.W.A., a Past President of the Institute.

The course is being organized by the No. 1 Area Co-ordinating Committee of the Institute, and inquiries should be addressed to Mr S. G. H. Freeman, A.C.W.A., 12 Meadow Road, Wokingham, Berks.

Students' Study Course

A study course for students of The Institute of Cost and Works Accountants is being held at The Queen's College, Oxford, from April 6th to 8th.

There will be three series of lectures; at the first, the subjects will include 'Labour and methods of remuneration'; 'Costing of materials and material control'; and 'Production methods and services'. The second series will include lectures on 'Mechanized accountancy'; 'Budgetary control and standard costing'; 'Marginal costing'; and 'Factory management'; and the third series will be one in which the subjects are entirely devoted to costing.

The course is being organized by the No. 1 Area Co-ordinating Committee of the Institute and will be presided over by Mr A. W. Field, F.C.W.A., chairman of the committee.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Dinner and Dance

The annual dinner and dance of the London and District Society of Chartered Accountants will take place at Grosvenor House, Park Lane, London W1, on March 16th. Tickets, price £2 2s each, may be obtained from the secretary of the Society, Mr J. W. G. Cocke, T.D., M.A., F.C.A., 2 Norfolk Street, London WC2.

MANCHESTER STUDENTS' RESIDENTIAL COURSE

The Joint Tuition Committee of the Manchester Society of Chartered Accountants and the Manchester Chartered Accountants Students' Society has arranged to hold a fourth residential revision course for students at Lyme Hall, near Stockport, from March 19th to 23rd.

The primary object of the course is to assist students in their pre-examination revision and for this reason priority will be given to candidates in the Institute's examinations to be held in May 1962. Priority will also be given to students who live too far away from Manchester and Preston to attend Saturday morning lectures. Remaining places will be allotted by ballot and although a ballot was not necessary at the previous

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three courses, the growing popularity of the course leads the committee to believe that there will not be places available for late applicants.

A separate series of lectures is given for Intermediate and Final candidates and in addition there will be opportunities for discussion with the lecturers. A resident tutor will be available throughout the course. Further particulars are obtainable from the hon. secretary, Mr A. J. Burden, A.C.A., 46 Fountain Street, Manchester 2.

SW. LONDON DISCUSSION GROUP

The next meeting of the South-West London Chartered Accountants' Discussion Group will be held at the Kingston Hotel, Kingston upon Thames, on Monday next at 6.45 p.m. for 7 p.m., when there will be an open forum on 'Taxation'.

The hon. secretary of the Group is Mr T. C. Backshell, F.C.A., Charter House, Claremont Road, Surbiton, Surrey. Telephone: Elmbridge 4052.

INSTITUTE OF INTERNAL AUDITORS

London Chapter

The meeting of the London Chapter of The Institute of Internal Auditors to be held next Wednesday, at 12.30 p.m., at the Kingsley Hotel, Bloomsbury Way, London WC1, will be addressed by Mr H. H. Longman, of Unilever Ltd, on 'More work study in the office'.

Birmingham Chapter

The next meeting of the Birmingham Chapter will be held at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham 3, next Thursday, at 6.30 p.m., when Mr S. Cuttell, A.A.C.C.A., will speak on 'Techniques of audit sampling'.

Anyone interested will be welcome at the meeting. Inquiries regarding the Chapter should be addressed to the hon. secretary, Mr R. C. J. Lucas, West Midlands Gas Board, 39/41 Hagley Road, Birmingham 16.

THE INSTITUTE OF TAXATION

Thesis Competition

'New alternative methods of taxation' will be the subject of a thesis competition to be held this year by The Institute of Taxation. There will be a prize of one hundred guineas for the winning paper.

Theses will be judged by content rather than length and should not exceed 25,000 words. The closing date for entries, which may either be in typescript or manuscript form, is October 31st. They should be addressed to the Secretary of the Institute, Clifford's Inn, London EC4. All competitors will be advised of the judges' decision, by post, on a date to be fixed by the Council of the Institute.

THE INSTITUTE OF OFFICE MANAGEMENT

London Branch Annual Conference

Sir Halford Reddish, F.C.A., chairman and managing director of Rugby Portland Cement Co Ltd, will be the guest speaker at luncheon at the annual conference of the London Branch of The Institute of Office Management to be held on March 8th at the Kensington Palace Hotel, London W8.

Sir Halford, whose address will be based upon his own experience within his own companies, will examine the impending impact of the changing economic and social structure in Europe upon office staff in the United Kingdom. The conference, which will be opened by Mr Brian A. Maynard, M.A., F.C.A., A.C.W.A., partner in the firm of Cooper Brothers & Co, Chartered Accountants, will include papers on 'A new look at banking', by Mr D. S. Travers, A.I.B., general managers' assistant, Barclays Bank Ltd; 'Pruning paperwork in the public service', by Mr C. R. Smith, O.B.E., central organization and methods branch, G.P.O., and 'Eliminating paperwork in hire-purchase', by Mr H. Simpson Cook, LL.B., F.C.I.S., manager, United Dominion Trust Ltd.

Further details regarding the conference are obtainable from the conference secretary, Mr J. C. Durnin, F.C.A., Messrs Clark, Battams & Co, 32 Victoria Street, London SW1.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

In a match played at Surbiton on February 14th, the Chartered Accountants' Hockey Club drew with Oxford University Occasionals, neither side scoring.

It was greatly to the credit of both goalkeepers that there were no goals, although both sides had their opportunities. Bingham, for the Accountants, was under great pressure and played a fine game. He was well supported by Sturges and Cornfield, while Davis held the fort admirably in the middle.

The Occasionals' defence, Ellis and Padfield in particular, marked very well and gave the Accountants few opportunities. On both sides, however, thrusts were made but the finishing touch was lacking.

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THE ACCOUNTANT

ESTABLISHED 1874

MARCH 10TH, 1962 VOL. CXLVI. NO. 4551

CONTENTS

Page

Trading in 'Know-how' 281

Annual Payment or Trade Receipt? 283

Stock Valuation Reconsidered
by *George J. Staubus, Ph.D., C.P.A., Associate Professor of Accounting, University of California* 284

Decimalization in South Africa
by *W. J. Fairbairn, C.A. (S.A.), F.S.A.A., Professor of Accounting, University of Natal* 288

Weekly Notes 290

This is My Life . . .
by *An Industrious Accountant* 294

Correspondence
Contractors' Profits – The Scope of Management Accounting – Interest Formula – P.A.Y.E. Simplification? – Unrealistic Taxation – The Training of Accountants – Cut in B.E.A. Services 295

Finance and Commerce
Turner & Newall Ltd – Adams (Durham) Ltd – City Notes – Rates and Prices 297

Courses and Conferences 303

Accountants and the Common Market
Chartered Accountants' Dinner in Sheffield 305

Students' Dinner at Manchester 306

Scottish Institute's 'International Basis'
Scottish Chartered Accountants' Dinner at Birmingham 307

Notes and Notices 308

The Association of Certified and Corporate Accountants
Results of December 1961 Examinations 310

Trading in 'Know-how'

THE House of Lords has dismissed the appeal of Rolls-Royce Ltd from the decision of the Court of Appeal in *Jeffery v. Rolls-Royce Ltd* (*The Accountant*, March 6th, 1961, p. 351; 40 A.T.C. 56) and thereby established that 'lump sums' received by the company under a number of licence agreements fell to be included as trading receipts in the computation of the company's profits for the purposes of income tax. Both the Special Commissioners and MR JUSTICE PENNYCUICK had allowed the company's appeal. The learned judge relied on the House of Lords' own decision in *Moriarty v. Evans Medical Supplies Ltd* (36 A.T.C. 277).

The House of Lords is of course bound by its own decisions and no doubt of any kind is thrown upon its decision in the *Evans Medical* case, notwithstanding that only LORD SIMONDS took part in both cases. What its latest decision emphasizes is the fact that the law applied to both cases is precisely the same; the law remains unchanged, but different facts naturally produce different legal results. The decision also emphasizes the danger of a too facile assumption that mere similarities between two sets of facts will produce like legal results. In the *Rolls-Royce* case, the appeal of the Crown from the Special Commissioners' decision produced a stated case covering no less than thirty-seven pages of the not over-large print of the *Annotated Tax Cases*, while to that stated case were annexed a large number of documents. The like appeal of *Evans Medical Supplies Ltd* produced a stated case of only four pages, with a much smaller number of annexed documents. It is only when one has read the two stated cases, as well as the judgments, that one can safely comment on the decisions. Another lesson from the two decisions is that an income tax case is lost or won when the relevant agreements are drafted; and mere labels like 'lump sum' or 'capital sum' inserted by the draftsman with one eye on the Inland Revenue, and in the hope that such labels change the essential nature of a sum, are not enough. Finally the decisions again emphasize the danger of repeating a profitable transaction too often, or even more than once.

The *Evans Medical* litigation arose out of one single agreement. The company was carrying on a trade which had been begun in 1809 and which consisted of the manufacture and sale of medicines, drugs and the like. One of the territories in which it operated was Burma, where the Government in 1953 decided to carry on such manufacture itself. Faced with the inevitable loss of its business there, the company entered into an agreement with the Burmese Government to assist the latter to set up the new industry. The

agreement was in several parts, with different consideration attached to different parts. In Part I the company agreed to provide the knowledge which would make possible the large-scale manufacture of medical products in Burma. The consideration for this was 'a capital sum of £100,000'. In another part of the agreement the company undertook to provide services for which the consideration was an annual fee of £25,000 as to which there was no argument; the company agreed from the outset to treat it as a trading receipt. The dispute was thus confined to the £100,000 and neither side sought to split it up between capital and income, both argued on an 'all or nothing' basis. In deciding that the whole of the £100,000 was a taxable trading receipt, the Special Commissioners read the agreement as a whole, that is they ignored the specific allocations of consideration. Moreover they found that the company had not sold anything and that the £100,000 was wholly for services. MR JUSTICE UPJOHN (who was also a member of the Court of Appeal in the *Rolls-Royce* case) held that there was no evidence to support this determination of the Commissioners.

The Court of Appeal allowed the Crown's appeal, to the extent of remitting the case to the Special Commissioners to split up the £100,000 between capital and income, but the company successfully appealed to the House of Lords against this decision, with the result that the judgment of UPJOHN, J., was upheld. It is certainly true that some of the services rendered in return for the global £100,000 payment were services which, if separately remunerated, would attract income tax. The interesting question arises as to how far (if the draftsman is astute to allocate the total consideration among the different matters for which it is paid, and in such manner that the lion's share is attributed to capital) the appeal tribunal can of its own motion reallocate the consideration so as to increase the tax liability. A good deal could be written on this topic, but it did not arise in these two cases.

The trade of Rolls-Royce Ltd was set up in 1906 and was originally that of motor-car manufacturers only, until the First World War, when the manufacture of aircraft engines was begun. This was continued in the inter-war period and has grown enormously. Owing to the pronounced military aspect of this trade, and the natural anxiety of Governments to power their aircraft with engines from sources over which they have control, the element of trading abroad which was so important in the *Evans Medical* case was not so strong. After the end of the Second World War Rolls-Royce Ltd embarked on the practice of entering into licence agreements relating to the manufacture of its engines in territories where it did not already trade. The element of sale of goodwill, in the sense of handing over existing business, was therefore absent.

The first agreement was made with the Chinese Nationalist Government in February 1946, and although it seems to have been the only comparable agreement entered into in that year it was followed in the subsequent seven years by a number of similar agreements, agreements which followed extensive travelling by the company's staff in search of such agreements, the expenses of which were charged and allowed as revenue expenses for tax purposes. As in the *Evans Medical* case, the consideration payable to the company was of two kinds – capital sums (but often payable in instalments) and recurring sums as to which no dispute arose. But these two kinds of consideration were not separately allocated and perhaps this is the most important difference. Most of the services rendered were of a non-capital nature and the only substantial capital element, if any, was the sale of 'know-how'.

The Special Commissioners, after setting out the facts in the stated case at very great length, couched their decision in a single sentence without giving any reasons: 'We are of the opinion that the case for the [company] succeeds and the appeal must be allowed.' MR JUSTICE PENNYCUICK upheld them. The Court of Appeal unanimously reversed his decision and the House of Lords has upheld that reversal.

LORD RADCLIFFE saw no difficulty in describing 'know-how' as an asset. It was intangible; but so was goodwill. It did not follow that 'know-how' was necessarily a capital asset. It could not easily be compared with factory buildings or patents. It was an ambience pervading a highly-specialized production organization and the analogy with fixed assets of a more ordinary kind was likely to break down; it was not so much a single entity as a fluid in store which could be pumped down several channels. Words like 'capital' and 'lump sum' contributed nothing to the problem. The company had undertaken for reward, in various places, to impart their expertise.

Annual Payment or Trade Receipt?

ON Thursday of last week when the House of Lords gave its decision in the *Rolls-Royce* case, the Court of Appeal was also delivering judgments which emphasize the fact that not all documents which are drafted with one eye (or perhaps two) on the Inland Revenue, necessarily achieve their object; and the danger of relying on judicial dicta divorced from their context. The Court dismissed an appeal from the decision of MR JUSTICE PLOWMAN in *British Commonwealth International Newsfilm Agency Ltd v. Mahany* (*The Accountant*, July 29th, 1961, p. 151; 40 A.T.C. 255).

The appellant company was set up in 1957 by the Rank Organisation Ltd and the British Broadcasting Corporation for the purpose of supplying to subscribers visual news on a world-wide scale, of ensuring that the company should remain under British control, and of preventing the supply of visual news material from being dominated by American interests. It was expected that the company would trade at a loss initially and the two promoters agreed to pay additional subscriptions, each equal to half the loss. By March 1958 it was apparent that additional subscriptions would be payable for the accounting period ending on March 31st, 1958. As Rank (as distinct from its subsidiaries) had had no commercial dealings with the company, Rank's tax advisers feared that the additional subscription might not be allowed as a business expense. Consequently, in order to improve the tax position, the two promoters entered into a deed of covenant with the company, in the hope that if the additional subscriptions were paid pursuant to the deed, they would constitute 'annual payments'. Thus the company would be able (it was thought) to set its loss against the annual payments and recover the tax which had been deducted.

Under the deed each promoter covenanted to pay to the company in each of seven tax years 'a sum equal to one-half of the deficit'. The 'deficit' was defined as:

> In relation to each covenant year, the amount (if any) by which the cost of operating the company's service of providing visual news items to television stations, newsreel makers and other subscribers exceeds the moneys paid or payable to the company by way of subscriptions by the subscribers to the service'

in the company's accounting year ended in the covenant year.

The trading and profit and loss account of the company for the period ended March 31st, 1958, showed a loss of £125,180 so that its receipts under the deed of covenant were £62,590 from Ranks and £62,590 from the B.B.C., these being the gross amounts. The company claimed that having made a trading loss in 1957–58 it was entitled to claim repayment of the tax deducted from the above payments, by setting the loss against them under section 341 of the Income Tax Act, 1952. It is to be observed that it was a *sine qua non* of the company's claim that, in providing the service, it was carrying on a bona fide trade. It was also essential for the company to continue to provide the service if anything was to be paid under the covenant. Moreover, there was a finding of fact that without these subventions the company could not continue to trade.

It is perhaps not surprising that in these circumstances the Inland Revenue resisted the claim and that the Special Commissioners found in the Revenue's favour. Confirming their decision in a judgment of admirable brevity and lucidity, MR JUSTICE PLOWMAN held that there was ample authority to show that a payment which is a trading receipt in the hands of the recipient cannot at the same time be an annual payment (*Smart v. Lincolnshire Sugar Co Ltd* (16 A.T.C. 7); *Ostime v. Pontypridd and Rhondda Joint Water Board* (25 A.T.C. 90). He resisted the argument that *C.I.R. v. Corporation of London* (32 A.T.C. 211) constrained him to decide the other way: that case concerned a payment to a charity which was not carrying on any trade. The company had fastened on some *dicta* of LORD NORMAND in the latter case as to the payment having been received 'without conditions or counter-stipulations' but his lordship rejected the argument that this was the ratio of the decision.

In the Court of Appeal the company's appeal was unanimously rejected on the same grounds.

Stock Valuation Reconsidered

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THE Institute of Chartered Accountants in England and Wales' Recommendation on Accounting Principles, No. 22, *Treatment of Stock-in-trade and Work in Progress in Financial Accounts* has recently come to my attention. At the risk of doing irreparable damage to Anglo-American relations, I wish to take exception to several of the points made in that statement. Let it be understood at the outset, however, that my comments are not meant to single out the accounting profession in the United Kingdom for criticism; American accountants are equally guilty of these practices which I consider reprehensible. I choose this occasion to present my views on stock measurement because of the open invitation represented by Recommendation No. 22, and in the hope that a Britisher will be sufficiently incensed to review critically some of the accounting literature emanating from the American branch of the profession. Perhaps this sort of cross criticism will be more effective than criticism by our countrymen.

The specific statements in Recommendation No. 22 which I consider unacceptable on theoretical grounds are:

(1) 'The basis normally used for the determination of the amount to be carried forward for stock is its cost less any part thereof which properly needs to be written off at the balance sheet date.

(2) 'In businesses which are highly competitive or have a sensitive market for their products, overhead expenditures may properly be omitted in order to avoid carrying forward expenditure which may prove irrecoverable.

(3) 'In businesses which mature large stocks over long periods (for example, whiskey, wine, timber) it is usual to exclude fixed overheads in order to avoid carrying forward large and increasing amounts of time-expired expenditure the recovery of which in the ultimate selling price is uncertain.

(4) 'In some businesses where selling prices are based on or reflect current replacement prices it may be considered that the trading results of a subsequent period will be prejudiced if they are burdened with any amount for stock which exceeds its replacement price; where this view is taken it is regarded as important in reporting the results of the activities of a period, as compared with those of its successor or predecessor, that the period in which a reduction in buying prices occurs should bear the diminution in profit rather than the period of disposal whose realizations will be adversely affected by the events of the previous period.'

The Objective of Stock Measurement

Rather than discuss each of the four offending statements in order, I shall present my case in a more positive fashion. First, let us consider why we assign monetary amounts to stocks of commodities held at the date of the financial statements. Surely we are more likely to agree on measurement methods if we agree on the major purpose of our measurements. Indeed, it is my opinion that failure to give explicit consideration to the objectives of accounting is the most important single cause of disagreements among accountants. So let us make some effort to establish a major premise from which our argument may proceed.

Financial Accounting

The term 'financial accounting' is used to mean the gathering, processing, and reporting of quantitative economic information for use by present and prospective creditors and owners in making investment decisions. For the moment, let us consider only this particular branch of accounting.

Investment decisions are based upon predictions of the firm's future capacity to pay investors – almost always in cash. Even the investor who is relying on a rise in the market price of the security must depend on other security buyers' views as to probable future cash transfers from the company to the securities holder. Such cash transfers require that the firm have cash in the future, and the firm's future cash balance depends upon its present cash balance *plus* receipts and *minus* disbursements in the interim.

A firm's assets are significant to investors to the extent that they will contribute to a future cash balance. Liabilities are a negative influence on the firm's future cash balance. The excess of assets over liabilities, preferred shares being included in the latter, is the equity of the residual claimants. This residual equity is crucial to all other investors, because they depend upon it as a buffer in case of adversity. Its significance to residual equity-holders – partners, a sole proprietor, or ordinary shareholders – must be obvious. Both the amount of the residual equity at any one time and changes in it, such as income, are of vital concern to all investors – and to the financial accountant.

The residual equity, being an excess of assets over

liabilities, can only be measured by measuring assets and liabilities. Similarly, changes in the residual equity, such as income, can only be ascertained by measuring changes in assets and liabilities. Assets are of interest to investors because they represent potential contributions to the concern's future cash balance. *The measurement of assets, then, must be done by methods that take future cash flows into consideration as much as possible.* Past cash movements are of interest only as they provide evidence of the future. The problem of stock measurement must be approached from this point of view.[1]

Managerial Accounting

What aspect of stocks does management want measured for inclusion in total assets? Managers are interested in the potential contributions assets can make to the achievement of their objectives. Owner-managers are primarily concerned with maximizing the return to owners. Hired managers who are controlled by owners must be working toward this same objective. Even those entrenched managers who look at stockholders as outsiders who can be treated in much the same way as employees, must still be concerned with maximizing the total return to owners, managers, and the company via the retained earnings account. All of these managers must be vitally concerned with the contribution stocks can make to the firm's cash position. There is no evidence whatsoever that managers should differ from investors with respect to their view of the money measurement of stocks of commodities, or any other asset, for inclusion in a statement of assets and equities.[2]

Measurement Techniques: Forms of Evidence

When the accountant chooses a measurement technique to apply to any asset, he is selecting the type of evidence that he considers most useful in the circumstances. The appropriate tests are *relevance* to the measurement objective and *availability* of reliable evidence of the type in question. As an example, consider the problem of measuring securities held as temporary investments. *Direct valuation*, by ascertaining the times and amounts of future cash receipts that will be enjoyed, selecting a discount rate, and calculating the sum of the discounted values of those cash flows, is the measurement technique that would most clearly disclose the current value of the asset's future contributions to the firm's cash position.

The basic evidence used, times and amounts of future cash receipts, is of unquestionable relevance to investors. The availability of this evidence may be poor, however, as would be the case if the assets to be measured were common shares. Lack of availability may force the accountant to choose another form of evidence, such as a market quotation, and he may use this evidence together with a brokerage commission schedule in measuring the *net realizable value* of the securities.

While net realizable value is not as relevant to the measurement objective of showing the effect the asset will have on the firm's cash position (since the actual cash flow at some future date may vary substantially from its current net realizable value), it may still be the best measurement technique to use in the circumstances. If the security is a common share without a currently quoted market value, the accountant may have to turn to a still less relevant technique – *historical cost.*

Now let us turn to the circumstances affecting the measurement of stock-in-trade. Stocks of goods that are deliberately held, are held to avoid the necessity for perfect matching of physical inflows and outflows. Perfect matching would require more expensive methods of obtaining and distributing goods and, in cases of goods held for direct sale, often would result in a loss of sales due to the impatience of customers. However, in many instances the quantity of the item held is greater than is necessary for filling orders. The absence of these units may not result in a loss of sales, but might add to future purchases. Perhaps the possibilities may be itemized as follows:

(1) The absence of the goods in question would reduce future sales but would not affect future acquisitions. Two types of cases may be mentioned: (*a*) obsolete goods that have some value; (*b*) a minimum level of inventory that is needed to avoid losing sales.

(2) The absence of the goods in question would require greater acquisitions in the future but would not affect future sales. Quantities in excess of immediate requirements fit this category.

Current Forms of Evidence – Net Realizable Value and Replacement Cost

The selection of the appropriate measurement technique to apply to a given stock of goods requires consideration of the differences between having the goods in question and not having them. The difference that is of greatest interest to investors and managers is in the future cash position. To select a measurement technique, we must ascertain how future transactions of the firm would differ depending upon the presence or absence of the item being measured. To apply the chosen measurement

[1] A more detailed exposition of the argument of this section may be found in George J. Staubus, *A Theory of Accounting to Investors* (Berkeley: University of California Press, 1961), Chapters I, II.

[2] This interest of managers in maximizing the return to the group consisting of owners, managers, and the corporation is entirely consistent with the observation that some managers are greatly concerned with such intangibles as power, prestige, position of the firm in the industry, or management compensation. These considerations surely do not invalidate the proposition that the *monetary significance* of inventories of goods must derive from their potential contribution to the firm's cash position.

technique, the amounts of the alternative transactions must be compared.

(1) If the circumstances of the case suggest that absence of the goods in question would not affect future acquisitions but would eliminate future sales, such goods can be expected to contribute approximately their net realizable value to the firm's cash position.

(2) If the absence of the goods in question would be offset by greater future acquisitions and not by any difference in sales, such goods can be said to contribute to the firm's cash position by obviating an outflow. This value can be measured by determining the cost of replacing these goods.

This line of reasoning suggests that either *net realizable value* or *replacement cost* is the most relevant type of evidence for use in measuring stocks of goods, the choice between them depending upon the circumstances as listed above. However, unavailability of the most relevant evidence may require a substitution. One type of substitution would be replacement cost where net realizable value would be better if available; or the reverse substitution may be made. Either of these shifts can be supported by the expectation that net realizable value and replacement cost are logically related, under equilibrium conditions, through the bridging concept of a normal profit margin. A different type of substitution requires the use of a third type of evidence.

Older Forms of Evidence of Commodity Values

If the accountant is unable to ascertain the net realizable value or replacement cost of goods on hand, he must utilize some less relevant evidence of their future contribution to the firm's cash position. Typically this will be a market price quotation at an earlier date, such as when the goods were purchased, or production cost when the goods were produced. Such a cost figure may be used without taking into account the change in the measuring unit between the date of the earlier quotation and the report date, or it could be adjusted for the change in the measuring unit. The former may be referred to as *original money cost*; the latter, *adjusted historical cost.*

The accountant who is applying the original money cost basis of valuation to goods must always remember that it is acceptable only on the grounds that it is related to replacement cost and net realizable value; if there were no relationship between cost and the future cash flow produced by the goods, the cost of an asset would be of no informational value to the decision-maker who is reading the financial statements. This means that the accountant who is struggling with problems involving the meaning and content of cost must strive to develop a cost concept that is closely related to the asset's future contribution to the firm's cash balance. For example, carrying charges on stocks of ageing goods, such as tobacco and whiskey, should be included in the cost of the finished product, because these costs normally can be expected to be covered by the sale value of the product. If this were not the case, production would cease.

Another problem of cost interpretation arises when several different old cost figures for the item in question are available. In this case, surely the accountant should choose the most recent cost in the absence of specific evidence that future replacement cost will be substantially different. Rarely would the accountant be justified in choosing the oldest of several old costs. If only those prices actually paid by this firm are considered sufficiently objective to be acceptable for use in informing investors of the probable future cash effect of the goods held, then the most recent price shown on any invoice should be applied to all units of that commodity held.[1] That price should be used for measuring both the units on hand and those moving out.

Any system which attempts to use several old prices at the same time is bound to be subject to criticism. The reader favouring the balance sheet will insist on having the most recent prices attached to the units on hand; the analyst who emphasizes the income statement will be critical if the most recent prices have not been assigned to the outflow of goods reported on that statement, and even if they are he may still object to the failure to report an obvious price change gain or loss. It is not surprising that all of the popular cost flow assumptions – last-in, first-out; first-in, first-out; and weighted average – are roundly criticized; none is relevant to the problems confronting readers of financial statements.[2]

Fixed Costs in Inventory Values

The idea that all, or the fixed portion of, overhead costs may properly be omitted from stock values should be discarded. The most common argument heard in the United States on this subject asserts

[1] One of the most puzzling positions taken in the stock valuation argument is that which suggests that the physical flow of goods is somehow relevant to the choice between LIFO, FIFO, etc. If any reader can explain how the physical flow of non-perishable, fungible goods affects their service potential, please write to the author. A related practice that smacks of witchcraft is the division of an inventory of fungible goods into segments, each of which is viewed as having a different service potential, per physical unit held. This sort of foresight must require either an exceedingly cloudy concept of objectivity or an extraordinarily clear crystal ball.

[2] The tendency of accountants to excuse their inflexibility by reference to income tax laws does not seem justifiable, at least not in the United States. Not only have American accountants failed to make a concerted effort to improve the law in this respect, but they have not even shown much interest in the best practice consistent with the extant law. Why not use the first-in, first-out assumption for measuring the asset to appear on the balance sheet, adopt the last-in, first-out assumption for determining cost of goods sold, and report the difference as a price change gain or loss somewhere on the combined income and retained earnings statement? The tax return could be based on the FIFO

that only future variable costs of production are avoided by the presence of the given stock of goods; therefore the value of these goods (replacement cost) can be roughly measured by variable historical costs. This method of calculating production costs is frequently called 'direct costing'.

The basic weakness in this view lies in the assumption of fixed costs. The major area of costs that are said not to change because of changes in production volume, is costs of providing capacity to produce. The clearest example of a variable cost of providing capacity to produce is depreciation on equipment that deteriorates on the basis of use rather than on a calendar basis. We know there are many such cases and we clearly recognize that the units-of-production or hours-in-use method of depreciation should be applied, thus showing a variable depreciation cost.

The service potential of many plant assets, however, expires on a calendar basis regardless of the extent of their use. This means that once the asset has been acquired the cost of using it in any period is *nil*; it depreciates whether used or not. Clearly, then, the depreciation cost related to the entire life of that asset, along with the fixed property taxes, insurance, and maintenance costs, are incurred by the decision to acquire it. If the asset will serve for ten years, the decision to acquire it results in ten years' depreciation, ten years' insurance, ten years' property taxes.

These costs of providing capacity to produce are caused by the decision to provide capacity, not by the use of that capacity. The decision to provide capacity to produce is made on the basis of estimated future production. Future production, in turn, is partly dependent upon the current level of stocks. (We are all familiar with the budgetary calculation: next period's sales, *plus* desired ending stocks, *less* beginning (current) stocks, *equals* next period's production.) Hence, current stocks affect future production, future productive capacity needed, and future costs of providing productive capacity. Accordingly, I find it difficult to accept the notion that current stocks save no future costs of providing capacity to produce.

True, in the majority of the producing departments in a concern the stocks may save nothing in the way of 'fixed' costs because of the existence of idle capacity, but in a minority of departments the existence of stocks of finished goods may save the equivalent of several years' fixed costs. On the average, the addition of the existing stocks to future production schedules could be expected to add costs of providing capacity to produce in an amount similar to the costs allocated to the goods by the traditional full absorption costing method. We must recognize that costs of providing capacity to produce, when measured at the point of cost inception, do vary as output varies.

Another view of the variability of costs of providing capacity to produce is the macro-economic view. The principle of magnification of derived demand (acceleration principle) tells us that commitments to fixed facilities fluctuate more violently as industrial production fluctuates than does the output from these productive facilities. This theoretical interpretation is supported by statistics from the United States economy during the last decade. Again I insist that costs of providing capacity to produce fluctuate at least as much as do the so-called variable costs of production. Any costing method which is based on a contrary assumption is unacceptable.

Conclusions

The major point of this paper can be stated simply. To the extent that accountants aim to provide information useful in making investment and management decisions, the use of the historical cost (original money cost) basis of stock valuation should be considered inferior to net realizable value and replacement cost; the latter provide better measures of the service potential of goods held and one of them should be used if feasible.

If the above statement is correct, it follows that carrying charges on stocks held over long periods should be included in historical cost in order to obtain a type of cost figure which is most closely related to replacement cost and/or net realizable value.

Furthermore, the traditional view that replacement cost is less informative than original money cost if the latter is lower, but is more informative if original money cost is higher has no logical basis. Likewise, the idea that different units of identical goods on hand at any one time have different values is rarely defensible.

Finally, the notion that some overhead costs, particularly those that are allocated to operations on a calendar basis, should be excluded when computing a cost to show as the value of goods on a financial statement is inconsistent with the first conclusion above. Full cost of production is not only likely to be nearer to replacement cost than is direct cost, but can also be expected to approximate more closely the goods' future contribution to the firm's cash position. The average firm sells its products at prices high enough to cover their full cost.

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method, i.e. the LIFO cost of the goods sold *plus* or *minus* the price change loss or gain would be deducted in the computation of taxable income. For financial reporting, both the balance sheet and the operating section of the income statement would make use of relatively current prices. This technique should be acceptable to tax conscious business men if they assume price movements in the future similar to those of the last decade. Raw commodity prices, while fluctuating widely, definitely have not displayed the upward trend that once contributed to the popularity of LIFO. Many of the manufactured goods that embody steadily rising labour costs are of less concern in this connection because (1) frequent model changes allow an occasional up-dating of their valuations as inventories of old models are depleted; (2) specific identification is common; and (3) their prices fluctuate less than raw material prices.

Decimalization in South Africa

by W. J. FAIRBAIRN, C.A.(S.A.), F.S.A.A.
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IN South Africa we adopted a two-decimal system for our coinage. There are, of course, many different ways of applying a two-decimal system. We actually plumped for the ten shilling/cent version. The reasons for that are many but the main reason is that the ten shilling/cent system gives you a major unit of a comparatively high value but not too high a value. The pound was considered to be too high a value for a major unit; and if you have a coin the equivalent of ten shillings as your major unit then obviously your minor unit, dividing by one hundred, is going to be roughly equivalent to one penny. It is for that reason – to get a unit closely allied to the old penny – that we plumped for the ten shilling/cent version of decimalization.

Now we had to find a new name for our major unit – and our Government finally selected the name of Rand – spelt with a capital 'R', please. The Afrikaans pronunciation of 'Rand' is used – 'Rant' as in the word 'grant' – and we English-speaking people accepted that pronunciation of the word for the sake of unity. Our Afrikaan friends, on the other hand, have given way in the spelling of the word 'cent'. In Afrikaans 'cent' is spelt 'sent' and that would mean using an 's' as the abbreviated denotation of the coin; as that would be awkward – it would be mixed up with shillings – they said, 'Well, if you call it a 'Rand' with a 't' we will spell cent with a 'c'. So 'Rand' Afrikaans, and 'cent' English is our coinage now.

Two-year Preparatory Period

In introducing the system we had a two-year preparatory period. That was all that was considered necessary in spite of the fact that nine-tenths of our population is virtually illiterate – the natives – and we thought it would take a comparatively long period in which to teach them. In the event, it turned out that they were teaching us something about conversion and not us whites teaching them; for the native knows that he has got ten fingers on his hands and ten toes on his feet and he is quite used to counting in tens; he never has liked counting in twelves as we made him do anyway. That is one thing you must anticipate if you decimalize here in the United Kingdom. You must bargain on a lengthy preparatory period. The longer the better, so far as organization is concerned.

'D-Day' – our Decimalization Day – was February 14th, 1961, just over one year ago, and I can tell you that so far as we are concerned in South Africa, the whole conversion operation is complete. Every accounting machine in the country has now been converted and is operating – except, I have been told, for one business man in Grahamstown who said, 'No, you fixed some date in May 1962 for converting my machines and I cannot convert them before then. I have planned everything for that date in May, and that is that.' He is the only one with machines that have not been converted; he is the only one still operating his books in pounds, shillings and pence.

Simple Conversion

Now, one of the disadvantages that was claimed for the fixing of ten shillings as the value of the major unit was the fact that it necessarily meant the abandonment of the pound. It was pointed out that this would involve a laborious recalculation of financial and accounting statistics generally. But as there are two ten-shillings in a pound, the conversion of pounds to Rands in whole numbers is a comparatively simple matter. All it needs is a knowledge of the twice times table and it was an easy process that everybody has just taken in their stride. For example, the 1961 accounts of practically every company that is quoted on the South African Stock Exchange gave their ten-year statistical review and their past year's comparative figures all converted into Rands. Therefore, you might say we are now 'Rand-minded' in South Africa.

It was also feared – quite needlessly in the event – that the simultaneous change of both the major and minor units, particularly where the illiterate part of our population was concerned, would have a disruptive effect. However, although many of the natives can neither read nor write, most of them can count quite well, and they do make very good pump attendants in petrol filling stations. Now, when we decided that February 14th, 1961, was to be 'D-Day' one type of machine that had to be converted was all the pumps in petrol stations. Lots of the petrol companies found that many of the pumps were not worth converting; they were so worn that the best thing to do was to rip them out and put new up-to-date ones in. The only new ones they had were ones that measure the cost of petrol served in Rands and cents. So, we had the feature in South Africa, four and five months before 'D-Day', of many pumps in petrol stations recording the price of petrol in Rands and cents. Now, the average buyer had not started to think what Rands and cents were or how to convert them into pounds, shillings and pence. Indeed, I was guilty myself, for the first time I got petrol at a Rand/cent pump, I said to the boy, 'Well,

An address given at the luncheon meeting of the London and District Society of Chartered Accountants on February 26th.

what is that in £ *s d*?' The boy quite happily said to me, 'That is 28*s* master; £1 8*s*'. He had to do what most of us have not had to do, and that was to learn to convert Rands and cents back to £ *s d*. So, on the whole, the natives did not do too badly.

There were, of course, pockets of resistance throughout the country; the resistance was mainly in regard to the cent. They did not understand why the cent was a different colour from the penny. It is a different colour. That is the only difference, but you get ten cents for a shilling where you got twelve pennies for a shilling. Many natives could not understand for a couple of weeks just what had happened to the odd two pennies. But, that has been almost completely overcome by now and we are having no trouble at all with them.

It was the bronze coin which gave us the most difficulty. There was no change where our paper money was concerned. The design of the South African £5 note is almost identical with the 10-Rand note. They are the same value and the only difference between the two is that one is marked £5 and the other is marked 10 Rand. Similarly with our coins; the 5 shillings becomes the 50-cent piece; no difference; the half-crown we decided was too confusing – it has been for years; particularly to natives – and we are no longer coining the equivalent of the half-crown, the 25-cent piece. Two shillings became 20 cents; one shilling is 10 cents; and sixpence is five cents. The difference is in the penny which is replaced by cents at 10 to the shilling.

Shortage of Coins

One of our big troubles on decimalization day was the shortage of bronze coins. The shortage was such that it seriously upset the planning that had gone on for many months in anticipation of 'D-Day'. It was most annoying, for instance, for people in charge of wages offices who for months had been educating their staffs, particularly natives. They had been giving them schooling in the lunch-hour and had been talking to them and teaching them the difference between 10 cents to the shilling and 12 pennies to the shilling. Many concerns, for example, months before 'D-Day', had started paying in shillings and pence rather than in £ *s d* – they had handed out notes and coins – but in recording the pay on pay envelopes the amount was stated in shillings and pence so that the workmen would get used to the idea of thinking in shillings and not in pounds any longer.

To digress for a minute. You will realize that although you in the United Kingdom are a pounds, shillings and pence community, you nevertheless are strongly wedded to the shilling as a measure of value. All your share quotations are in shillings and pence. Most of the price tickets in your shop windows are in shillings and pence. And, of course, converting pounds, shillings and pence to Rands and cents is a comparatively simple matter. You merely state your pounds and shillings in shillings, move your decimal point one place, refine your pence to cents and that is your answer in Rands and cents.

There was no difficulty where the Africans were concerned, but they were very concerned about the loss of the two pennies and it has taken them quite some time to get used to that feature. We found that it was necessary to introduce three different conversion tables. Firstly, we had the legal table, as it was called – the comprehensive table – which was strictly in accordance with our Decimalization Act. The Act laid down that our bronze coins in future would be cents which would have a value of twelve-tenths of their equivalent in pennies. In other words, the cent was to be twelve-tenths of a penny; the half-cent twelve-tenths of a halfpenny. (Fortunately, our Government decided when dropping the half-crown, they would also drop the farthing.) So we had the comprehensive table which went to three places of decimals of a cent for ordinary conversions in the wage tariffs and tariffs of various sorts.

'Decimal Dan'

In the main, however, we relied on what we call the popular table – for converting pence. It was published in twelve different vernacular languages plus English and Afrikaans. Children were taught it *ad nauseum* in school; and finally we had it in both the official languages plus all the vernaculars over the radio morning, noon and night. Everybody in South Africa got heartily sick and tired of 'Decimal Dan, the Rand/cent Man'.

The trouble with ten cents instead of twelve pennies was in shopping, where prices generally finish up somewhere in pence. Now, threepence is a quarter of a shilling and it is two and a half cents. It is an exact equivalent. Sixpence is an exact equivalent and so is ninepence. But the penny, twopence, fourpence, fivepence and so on have no exact equivalent in cents and we had to compromise. So the popular table laid down that one is one; two is two; three is two and a half. Four is three; five is four and six is five, and so on right through, nine becoming seven and a half cents.

That was alright for shops and cash transactions where it was possible to have a stock of half-cents, but the banks did not want to start recording in half-cents; nor did we. To start recording half-cents in books of account virtually means that you might as well have gone on with £ *s d*. So, as we did not want the half-cent in book-keeping or accounting, a third table was introduced known as the bankers' and accountants' table and there we got over the half-cent – the two and a half cent and the seven and a half cent – the equivalent of threepence and ninepence by rounding down on the threepence and rounding up on the ninepence. In other words, the bankers' and accountants' table goes this way: one is one; two is two; three is two; four is three; five is four; six is five; seven is six; eight is seven; nine is seven; ten is eight and eleven is nine and twelve is ten.

That method of rounding off shillings and pence was used universally in converting all books from

£ *s d* to Rands and cents. Picking the second Tuesday in February 1961 as our 'D-Day' we did deliberately so that we could have a long bank holiday week-end. The Saturday was declared a bank holiday; likewise the Monday; so that the banks had from Friday afternoon when they closed their doors till Tuesday morning in which to get their machines converted and get their balances converted. And in actual fact that is just what happened. By good organization the machine companies were able to convert all the banks' machines that week-end. They also managed to include the accounting machines of nearly all local authorities, as well as nearly all building societies, insurance companies, the railways administration and various other big users of accounting machines. The machine companies did a wonderful job in converting machines, and in that week-end the banks also had to get busy and convert their balances to Rands and cents. The experience of my own bankers in Durban is typical. The regional manager, when I asked him what it had involved, said, 'You know, we could have done without the Monday as a bank holiday. The whole thing went like clockwork in all of my branches in Durban. We actually finished converting all balances in the bank by the Sunday morning at 11 o'clock, and we were able to let the whole of our staff go home and have a real holiday on the Monday.' I said, 'And your loss on conversion?' And he replied, 'The total difference written off to general expenses in this section of the bank was 72 cents.' I think the experience of all banks was much the same.

Ahead of Schedule

In conclusion, I want to touch on one last thing; that is the problem involved in converting machines generally. All told we had an estimated total of 178,000 machines of different sorts in operation in South Africa on 'D-Day'. These included 13,100 accounting machines, 62,500 adding machines, 44,000 cash registers plus a few other types of machines, and the whole programme was completed almost eight months ahead of schedule. The whole job was done by our machine companies within the short space of February to November; about nine and a half or ten months.

In South Africa the decimalization of our coinage has been highly successful and has been accepted by everybody as being the right thing to have done. We have no regrets that we have decimalized, and I think that if you do that too you will reap the benefits in no time. One thing that still remains to be proved, for example, in South Africa, is the amount of time that will be saved in the life of the average schoolboy. It has been estimated that at least six months of a youngster's life is spent in learning how to decimalize pounds, shillings and pence and turn them back again.

There are benefits still to be reaped by decimalization in South Africa. I do not think we have seen the end of them yet, but all told I think it has been a highly successful process and one that has been greatly welcomed by all people in South Africa no matter what their political feelings about the whole thing have been.

Weekly Notes

BUDGET DAY

BUDGET DAY, it was announced in the House of Commons last week, is to be Monday, April 9th. It will be Mr Selwyn Lloyd's second Budget and there can be little hope of its being anything of a Pandora's Box of munificence. No doubt the chief item of interest this year will be Mr Lloyd's proposals for imposing his promised tax on short-term capital gains, to which reference is made in the note below.

We shall discuss the Budget and its implications in our issue of April 14th.

CAPITAL GAINS FEARS

A RECENT report in *The Times* hints that the Government's proposals for taxing short-term capital gains may prove to be more severe than many commentators have been led to expect. The Council of the London Stock Exchange in their memorandum of December 14th, 1961, made representations to the Chancellor on the undesirable effects such a tax could exert on the efficiency of the share markets as well as upon the new issue market, which would be affected by the generally expected tax on profits from 'stagging'.

In an article in last Friday's issue of *The Statist* the chairman of the Council of the Stock Exchange repeated these warnings. Lord Ritchie is particularly concerned with the impact of the probable tax on speculative market dealing which can greatly help the diminishing number of jobbers with reduced financial resources to make a fluid market free from violent price fluctuations. Such speculative activity, given the shortage of stock which everywhere is evident in the market, is most important.

Lord Ritchie is especially perturbed by the fact that a tax on short-term gains seems to be aimed primarily at stock-market profits. As he rightly observes, on grounds of equity any tax of this kind should be imposed upon profits from all similar dealing in other markets as well as share markets. He is also concerned that adequate provision should be made for giving relief in respect of losses, and he

repeats the point made in the Council's memorandum that much depends on the definition of 'short term'. In his opinion 'at the very worst the length of the short term should not be more than a month or two', unless the Chancellor is prepared to see 'serious damage done to the London market'. This wish seems extremely optimistic for such a tax would, as Mr Edward du Cann, M.P., pointed out in an earlier article in *The Statist*, become merely an optional tax.

Whatever the case for and against a tax on short-term capital gains, the plain fact of the matter is that public opinion has virtually forced Mr Selwyn Lloyd into the present promise; and it is difficult to believe that it would be satisfied with a tax which the chairman of the London Stock Exchange would apparently be prepared to accept in the present circumstances.

THE F.B.I. AND THE BUDGET

THE Federation of British Industries has indicated to the Chancellor that he ought to reduce all taxes which have the effect of increasing industrial costs, and make up the loss by selective increases in charges for social services and also by a broadening of the base of indirect taxation. Duties on heavy oil and commercial stationery come under severe attack from the Federation, which also calls for a reversal of the increases in profits tax rates and for increased income tax personal allowances in respect of wives and children. Companies required to incur capital expenditure to secure disposal of effluents or freedom from air pollution ought to be allowed to write off the whole expenditure at once. Depletion allowances should be accorded to companies working United Kingdom minerals.

On the more technical side of the F.B.I. memorandum are some old favourites: liberalization of Schedule E expenses, overseas trade corporation status for subsidiaries resident overseas, an extension of the relief for indirect United Kingdom tax, current year basis for Cases IV and V of Schedule D, and double tax relief in respect of overseas taxation of 'capital'. Section 17 of the Finance Act, 1954, provides for 'continuing basis' where the whole of a trade passes to a company controlled by the old owners of the trade. The F.B.I. points out that the section should apply also to a case where only part of the trade is disposed of; otherwise there is in effect double taxation of the dispossessed part. A very minor recommendation is made about stamp duty. In 1958 certain agreements concerned with the sale or hire of goods, the supply of electricity, or the execution of building works were exempted from any duty which they might otherwise attract in respect of periodical payments, under the head 'Bond, covenant', etc. The F.B.I. suggests that the exemption be extended to agreements for research or development or for the supply of gas.

THE ASSOCIATION'S EXAMINATION RESULTS

THERE were 2,360 candidates for the December 1961 examinations of The Association of Certified and Corporate Accountants, and the results, now announced, show that 780 were successful.

In Section I of the Final there were 464 candidates of whom 116 (25 per cent) passed, the First Place being won by Mr J. E. Pinchen, of Long Ditton. The Second Place was won by Mr J. J. Kenyon, of London, and the Third Place, jointly, by Mr B. Clough, of Oldham, and Mr A. N. Monckton, of Pembury. In Section II, a total of 397 candidates sat of whom 103 (26 per cent) were successful. The First Place was won by Mr D. Reynard, of Leeds; the Second Place by Major T. H. Pearce, British Army, and the Third Place by Mr A. J. Gregory, of London.

There were 915 candidates for Section I of the Intermediate examination of whom 342 (37 per cent) were successful, the First Place being won by Mr F. A. Holley, of Guildford. In Section II, there were 487 candidates of whom 191 (39 per cent) passed, the First Place being won by Mr W. G. F. Brooks, of South Ockendon.

In the Preliminary examination, 29 candidates (31 per cent) out of 97 were successful.

The names of the successful candidates in Sections I and II of the Final and in Section II of the Intermediate appear elsewhere in this issue.

A CAUSE TO SUPPORT

UNFORTUNATELY, the number of cases requiring help from The Chartered Accountants' Benevolent Association and the *quantum* of assistance which has to be given to make it realistic in relation to current living costs continue to increase. The consequence is that the cost of allowances and donations made in the two years ended February 28th, 1961, exceeded the revenue available by some £3,500.

In an attempt to augment its income, the Association has circulated a letter from its President, Sir William Carrington, F.C.A., to all members of the Institute urging them strongly to support this truly worthy cause. At present, only one-tenth of the members of the Institute are members of the Association. With the President's appeal is a letter from the President and Vice-President of The Society of Incorporated Accountants at the time of integration, commending the activities of the Association to all former members of the Society who are now members of the Institute. As a result of the integration scheme, the Association is about to take over the assets of The Incorporated Accountants' Benevolent Fund but it is also assuming responsibility for twenty-three cases previously looked after by the administrators of that Fund. This makes a current total of 125 and a glance at the particulars of those or similar cases given in the annual reports of the Association is sufficient to make every Institute member realize how fully deserving of support is this latest appeal.

A NATIONAL STOCK EXCHANGE

SPEAKING to representatives of the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange last week, Lord Ritchie, chairman of the London Stock Exchange, said that 'we all feel in London' that the time has come for stock exchanges throughout the country to get closer together. He said that there were a number of reasons for this. The London Stock Exchange is being pressed to allow its members to establish branch offices in connection with the European Common Market. He thought that although the Common Market itself would be likely to change the whole picture of the security industry in Britain, nevertheless the British stock exchanges could cope with any outside competition.

There have been indications, notably in the successful efforts of one large American firm to trade in United States securities in Britain, for members of the stock exchange to experience increased foreign competition. Rudimentary as the capital market in most countries of the European Common Market may be, it is likely that there will be increased competition to deal in continental securities in London by foreign organizations without using members of the stock exchange. What happens in London tomorrow might occur in provincial centres the day after.

Lord Ritchie emphasized that what was proposed was in no sense a 'take-over bid' but a proposal for a willing merger and that such a step ought to be taken now. The immediate reaction outside London has been reasonably favourable to the idea in principle but this is one of those proposals where the actual terms of arrangement are likely to be the critical issue.

CRITICISM OF CIVIL AIR ESTIMATES

IN their report published this week[1] the Estimates Committee of the House of Commons have examined selected items from the Spring Supplementary Estimates. These increased the original estimates for the fiscal year 1961–62 by £104 million.

An immediate review is recommended of the system of ordering aircraft for the Air Ministry. In evidence given before them it was said that in the current fiscal year the Ministry allowed for a gap of £100 million between the production target for air-frames and aero engines on the one hand and likely deliveries on the other. The Committee say that this striking discrepancy between production and deliveries has persisted for a number of years and they also noted a serious under-estimating for the supply of air-frames over the past three years. The Committee say that they are concerned not only about persistent inaccurate estimating but also at the implications of a system which authorizes manufacturers to base their preparations and subcontracts on much larger quantities than those for which the House of Commons authorizes the departments concerned to pay.

The Committee say that they see how unexpected difficulties may arise but they do not understand how these alone should lead to consistent under-estimating. They therefore demand an immediate review of the system by which the estimates are framed. At present the Ministry of Aviation. in consultation with manufacturers, decides on a production target for air-frames for the incoming fiscal year and on the basis of this target the aircraft industry tools up and prepares its production programme. The Ministry of Aviation and the Air Ministry recognize that this target is optimistic and they proceed to draw up a delivery programme, the financial value of which is less than half the production target.

It is likely, however, that the system criticized by the Committee involves more than improving the accuracy of estimating. It is probable that there is scope for improved project control and progress chasing in many aircraft contracts.

[1] *Spring Supplementary Estimates – Third Report from the Estimates Committee.* (H.M.S.O. 8*s* 6*d* net.)

PRICES COUNCIL DISBANDED

FOLLOWING the establishment of the National Economic Development Council, it was announced earlier this week by the Chancellor of the Exchequer that the Government had decided to disband the Economic Planning Board and the Council on Prices, Productivity and Incomes.

As to the new Council's relation to the existing advisory bodies, the Chancellor said that the National Joint Advisory Council would continue as at present and that he was examining the composition and functions of the National Production Advisory Council on Industry in order to supplement the work of the Council.

INFLUENCE OF THE COMMERCIAL PROFESSIONS

GIVING the third of the Cantor Lectures on the subject of 'The influence of the professions on economic life' this week, Mr A. H. Ensor, vice-chairman of Lloyds Bank Ltd, dealt with the commercial professions. He considered mainly the influence of bankers, merchant bankers, insurance companies, building societies, economists and accountants.

Speaking of the influence of accountants, he pointed out that the number of qualified accountants in the principal institutes in 1961 was 46,235, an increase of the order of 50 per cent in ten years. He said: 'In these competitive days, cost accounting and efficient organization are not only of infinite value, but essential if industry is to be prosperous and progressive.' He said that it would be true to say

that the influence of accountants had grown considerably from the 1920s onwards and that while in the 1920s and 1930s their services were called upon frequently when industry was depressed, their function was now more towards improving companies' organization and production costs rather than to the 'mere routine audit of accounts'. He thought that the revolution now taking place in industry and commerce following electronic developments and the introduction of automation in factories, emphasized how wide a field was open to the accountants.

CHANGES COMING IN HIRE-PURCHASE

THERE were distinct signs in January of an improvement in hire-purchase business. New credit advanced by finance houses increased by about 25 per cent on December, an advance described by the Board of Trade as 'rather more than seasonal'. The improvement in hire-purchase figures does in fact reflect an improvement in new and second-hand car business.

This change for the better has been accompanied by a move to tighten up hire-purchase car contracts and to reduce the number of repossessions. A finance company chairman recently estimated that repossessions in the past two or three years were of the order of 500,000 and total finance company losses at between £40 million and £60 million.

The changes recommended by the Finance Houses Association do not involve significant changes in the terms offered to car purchasers. Neither will the rates of interest, deposits or repayment periods be affected.

Under pressure from the United Dominions Trust Ltd, the members of the Association are abandoning the present limit on commission rates to dealers, a move which is not popular with most members and which is causing a split on policy within the motor hire-purchase trade.

SHARE DEALER MUST PAY TAX ON CAPITAL DIVIDENDS

IT is well established that the ordinary investor who receives a capital profit dividend from a United Kingdom company is not chargeable to either income tax or surtax on it. It is equally well established that if the company is resident abroad, so that the shares are a 'foreign possession', the ordinary investor's share of a capital profits dividend is chargeable to British tax on it under Case V.

It is going a long way from this to argue that where the investor is actually dealing in shares, by way of trade, a capital profits dividend from a United Kingdom company is exempt from inclusion in the dealer's trading receipts, notwithstanding the fact that the proceeds of an outright sale of such shares would automatically be included in the trading receipts. At first blush one wonders how such an argument could possibly be got on to its legs. Nevertheless it found favour with Mr Justice Cross (*Cenlon Finance Co Ltd v. Ellwood* (39 A.T.C. 201)), and its proponents, although they did not convince any member of the Court of Appeal or the House of Lords, did at least obtain leave to appeal to the final tribunal.

The company argued that since it was already established that the effect of section 184 of the Income Tax Act, 1952, was to prevent United Kingdom company capital dividends from being charged to tax as dividends, therefore section 184 exempted these dividends from tax, and therefore to include them as trading receipts was forbidden. The answer, in the words of Lord Simonds (according to *The Financial Times* of March 2nd), is that section 184 would be searched in vain for any suggestion that where a dividend had been paid out of capital it was to be exempt in the hands of the shareholders.

The House also rejected the company's argument that a mere change of mind by the Inland Revenue did not constitute a 'discovery' for the purpose of raising an additional assessment. The point is covered by *Commercial Structures Ltd v. Briggs* (27 A.T.C. 308).

DOUBTFUL DIAGNOSTICS

IN an article in *The Sunday Express* last Sunday, Mr Michael Webster endeavours to explain the dire risks run by companies who have too many chartered accountants on their boards. He instances one concern where the technical directors resigned in a body after a policy dispute and, asks Mr Webster, who took their places? 'The pals of those that were left. Another gang of professional company directors, most of them accountants.' The reconstructed board now consists of eight members – five chartered accountants, two lawyers and one other. The company is doing badly and the group profits are going down rapidly.

In the light of even this 'isolated case', Mr Webster 'would not be surprised to find that this strange form of company sickness . . . is on the increase' and supports his thesis as follows:

> 'Already, according to the Institute of Directors, 46 per cent of all company directors hold more than one boardroom appointment, and most of these hold considerably more than two each. Most of these gentlemen are "financial experts" of one kind or another – economists, accountants, actuaries, or statisticians.'

He concludes:

> 'So it will pay to keep an eye on the boardroom temperature of your investments. And if you see symptoms of "chartered accountantitis" developing – beware!'

Now Mr Webster may be right or wrong in his

diagnosis but he should argue fairly and openly. What the statistics collected by the Institute of Directors[1] did show was that the 46 per cent sample of company directors who held more than one directorship was made up of 18 per cent holding two, 11 per cent three, 15 per cent four to eight and only 2 per cent more than nine. The Institute remarked that 'very few really hold multiple board seats'. Further, 64 per cent of all directors included in the survey had no academic or professional qualification, only 14 per cent had university degrees, and of the distinct minority with professional or technical qualifications only 10 per cent were accountants. Making allowances for dual qualifications and other factors, it is reasonable to assume that about two or three directors in every hundred are accountants, a ratio much nearer to reality than the board mentioned by Mr Webster where five out of eight are members of that profession.

Perhaps if Mr Webster cares to come out in the open and name the company concerned, his particular accusation might not bear any closer scrutiny than do the statistics he gives in support of his airy generalizations.

[1] *Who's on the Board?* Institute of Directors, London. 3*s* net.

This is My Life . . .

by An Industrious Accountant

CHAPTER 114

AN envelope arrived marked 'Strictly confidential'. I opened it rather nervously . . . the sack? . . . an offer of a directorship? . . . an advice that I'd won the Irish Sweep? . . . I have invariably a premonitory shiver about these impressive hush-hush messages. The memo-slip inside read 'Please see me at 11 a.m. about attached,' in the managing director's precise script. It sounded ominous for a moment.

However, perusal of the 'attached' clarified things. It was an anonymous letter, scurrilous, vicious, about our hardworking young internal auditor. Such venom I'd never experienced before: 'sticking his nose into other people's business . . . insulting honest decent men . . . smearing our caracters [*sic*] . . . what will happen to him if he goes on like this . . . break his neck . . . lightning strike . . . we won't stand for it'. I've omitted the lurid adjectives and expressions.

The unsigned scrawl had been sent to our director personally; no wonder he'd like an explanation. The I.A. has been looking into the system of crediting returned empties in our dispatch section where he had spotted, smartly enough, some looseness in allocating the rebates. Unidentified returns provide a profitable perquisite when suitably appropriated, so to speak. Obviously a guilty conscience was reacting violently and I didn't like the prospects ahead.

Still, I had my strategy planned carefully when I sat down before our M.D. at 11 a.m. He had his usual imperturbable smile, though his quiet eyes missed nothing. After some preliminary chit-chat, he asked casually what I thought about the missive. I put on the old contemplative act for a moment, finger-tips together, brooding expression (my favourite pose when I can get away with it).

'I don't attach the least significance to that sort of anonymous muck-raking; I suggest we ignore it completely,' I said loftily at length. 'I've complete confidence in our internal auditor; he's well-schooled in the diplomatic approach; his style is tactful and non-committal.' Another question and answer. 'No, not for a moment. I wouldn't insult him by even mentioning it to him.' The M.D. wondered what the dispatch manager thought of the letter; had I discussed it with him at all?

'Wouldn't dream of doing such a thing,' I assured him. 'But I just happened to meet him – accidently – this morning and asked him how the I.A. was getting on in his section. He was obviously quite unconcerned; gave our man a great write-up. So the letter is just a bottle of smoke.' My inquisitor, with a detached irony, murmured something about the undesirability of labour troubles, enough headaches already without stepping on the corns of our dispatch people unnecessarily, what? I pondered silently for a moment; this finger-tip stuff was clearly effective.

'Not really likely, sir,' I demurred. 'The shop steward there is quick off the mark and the dispatch men are old hands; they'd have kicked long before now if there was anything out of line.' After a few more queries, the M.D. leaned back slowly and conceded the match. 'All right, handle it your own way,' he agreed. 'If you've confidence in the internal auditor, I'm quite happy.'

So I tore the offending letter to shreds there and then, and dropped it melodramatically in his basket. I think we both enjoyed the gesture. He still smiled, though I couln't quite interpret his quizzical expression. Maybe he was suspending judgement for the moment, maybe he was just giving me enough rope; maybe he knew more than he said.

But I smiled too. After all, I've a photostat copy of the letter in my desk; if I can identify the disguised writing, considering the help provided by all the dockets written daily in the dispatch section, I'll square the account with interest. Nobody insults my staff with impunity; we'll catch Mr Poison-pen redhanded sooner or later.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Contractors' Profits

SIR, – Mr Peter D. Taylor's excellent summary, in your issue of February 17th, of the thorny problems of valuing contracting work in progress did not specifically cover various possible treatments of a particular loss situation which may occur during the course of a contract.

I have in mind a case where known non-recurring causes have inflated costs to the extent that at an intermediate stage in a contract their comparison with measured value of work done shows up as a loss. The causes have been removed (in this case there is no contingency allowance which might be charged) and the contractor is confident of completing the contract to show an overall profit, albeit less than that originally estimated. At this intermediate stage should (*c*) the loss be taken, (*b*) no profit or loss be taken (i.e. value at cost), or (*c*) some proportion of the ultimate reduced profit be taken?

The answer is probably that any one of these is in order, provided that it is applied on a consistent basis from year to year, and is also consistent with the basis adopted for valuing work in progress on contracts where the measured value indicates a *profit* at a similar intermediate stage.

It would be interesting to have Mr Taylor's views and those of your readers upon, firstly, the permissibility of the three choices outlined and, secondly, upon the proper relationship of each to the various methods of valuation set out in his article.

Yours faithfully,

PETERKIN.

[Mr Taylor writes: In this case, there is a reduction in gross profit rather than a loss, and therefore method (*a*) is not really applicable. The use of methods (*b*) or (*c*) would depend on the method of valuing work in progress and as stated the important thing is to be consistent. Method (*c*) is to be preferred if possible, and if the cost control is reliable.]

The Scope of Management Accounting

SIR, – I have read with interest the article by Mr J. P. Wilson published in your issue dated March 3rd. However, I must take issue with him on his example of the modern form of a balance sheet – his Figure 4.

The balance sheet illustrated is indeed 'more logical in its arrangement' than the traditional. However, the 'Net worth of business', being the net assets of the company, are shown to be represented by share capital and reserves. Surely the correct approach when presenting accounts to shareholders is to show in the first place the share capital and reserves and then describe *this* amount as being represented by the various assets less liabilities. In other words the investment of the shareholders, plus any attaching reserves and balances, is represented by working assets less liabilities, from which the profits of the company are earned.

Yours faithfully,

PAUL R. RAWSON,
A.C.A.

Altrincham, Cheshire.

Interest Formula

SIR, – Shortly after the passing of the Moneylenders Act, 1927, one of your readers submitted a formula (shown below) for working out the actual rate of interest where money is repaid by periodic instalments.

We believe that this may still be used by, e.g., hire-purchase and similar companies and wonder if any of your readers can confirm that the formula is correct.

Formula

$$\text{Rate per cent} = 2 \times \frac{\text{Total repayments} - \text{loan}}{\text{loan}} \times \frac{\text{No. of repayments in year}}{\text{Total No. of repayments} + 1} \times 100$$

Yours faithfully,

London SW1. PIPER SMITH & PIPER.

P.A.Y.E. Simplification?

SIR, – In his strenuous efforts to secure economies in Government expenditure, the Chancellor of the Exchequer should not overlook cost reductions which could be achieved by a simplification of our P.A.Y.E. system. Under the existing system two sets of tables are required. Table A shows the earned income relief corresponding to the individual's earned income as from the beginning of the income tax year to date, plus the proportion of the individual's allowances less untaxed unearned income as from the beginning of the income tax year to date. The sum of allowances less untaxed unearned income plus earned income relief derived from Table A is regarded as 'free pay' and is then deducted from the individual's earned income in order to show the individual's 'taxable income'. The tax appropriate to the 'taxable income' will be ascertained by reference to Table B.

In fact, in order to ascertain the tax appropriate to a given earned income and to a given allowance less

untaxed unearned income, only one set of tables is needed. The formulae for the different levels of income are as follows:

Let E be earned income as from the beginning of the income tax year to date. Let AU be allowances less untaxed unearned income for the whole year. Let m be the number of months as from the beginning of the income tax year to date.

$\frac{7}{9}E-\frac{m}{12}AU$	*Tax Deducted*
Less than o	Nil
$o-\frac{m}{12}60$	$\frac{7}{80}\left(\frac{7}{9}E-\frac{m}{12}AU\right)$
$\frac{m}{12}60-\frac{m}{12}210$	$\frac{17}{80}\left(\frac{7}{9}E-\frac{m}{12}AU\right)-\frac{m}{12}$ 7/10/–
$\frac{m}{12}210-\frac{m}{12}360$	$\frac{25}{80}\left(\frac{7}{9}E-\frac{m}{12}AU\right)-\frac{m}{12}$ 28/10/–
$\frac{m}{12}360-\frac{m}{12}4{,}005$ (E)	$\frac{31}{80}\left(\frac{7}{9}E-\frac{m}{12}AU\right)-\frac{m}{12}$ 55/10/–
E	
$\frac{m}{12}4{,}005-\frac{m}{12}9{,}945$	$\frac{31}{80}\left(\frac{8}{9}E-\frac{m}{12}AU\right)-\frac{m}{12}312$
$\frac{m}{12}9{,}945$ upwards	$\frac{31}{80}\left(E-\frac{m}{12}AU\right)-\frac{m}{12}656$

Yours faithfully,

London W1. P. L. GRIFFITHS.

Unrealistic Taxation

SIR, – The rigidity with which Schedule A tax on property is being maintained is remarkable – in spite of it being described over and over again as an 'iniquitous tax'. Even politicians are in agreement with its being abolished, because in application it is grossly unrealistic to the facts and unethical.

Just as remarkable is the rigid application of the law in dealing with the expenses of employed persons under Schedule E. This is especially so in view of the words of Lord Evershed, M.R., in *Brown v. Bullock:*

> 'But I would point once again to the distinction between the two Schedules D and E which I regard as somewhat regrettable; as something which tends to bring the law into a measure of disrepute and to make the income tax obligations of the taxpayer a game of ingenuity divorced from principle or ethical or other common-sense considerations.'

Those words of analytical wisdom are surely intended to imply agreement with the Royal Commission's recommendation that 'all expenses reasonably incurred for the appropriate performance of the office or employment should be deducted'.

Yours faithfully,

Birmingham. FRANCIS B. WILLMOTT.

The Training of Accountants

SIR, – With regard to recent correspondence in your columns concerning the training of accountants, I would submit that a university education whilst being an admirable and desirable thing in itself, is no adequate substitute for the experience gained during five years' service under articles in a professional accountant's office.

Yours faithfully,

London W2. K. I. JEWETT, F.C.A.

SIR, – I read with considerable interest your leading article of November 25th and the correspondence which it stimulated. Your readers may be interested to know of developments in university education in accounting in Australia.

There are at present five departments of accounting having professorial heads in Australian universities; there are approximately fifty full-time teachers in the seven universities which offer three or more courses in accounting. The standard reached is, at a minimum, that required by the official and professional bodies related to the profession. In some centres the business community and the accountancy profession were responsible for financial support on the original creation of the appropriate chairs, but apart from this the universities have themselves accepted the subject as an appropriate field of university study and inquiry and have assumed the financial obligations this entails.

The accounting departments in the universities have generally tended to extend their courses beyond the limits set by the syllabuses of local and British examining bodies. For example, in the University of Sydney the three-year sequence in accounting includes besides the usual subject-matter of financial accounting, studies in auditing, costing, investment planning and budgeting, and governmental accounting. In addition, the competent and interested candidate may read for honours in the accounting school; he is required to undertake additional work covering the theory of accounting; the history of accounting techniques, institutions and ideas; significant areas of business finance; and controversial questions such as the 'price-level' and 'marginal costing' problems – all in considerable detail.

Although the universities are thus extending their curricula, and although there seems to be the possibility of conflict between them and the professional organizations, the professional and teaching groups enjoy the best of good relationships. They may often disagree in point of view, but in my experience the teachers have generally been most welcome partici-

pants in the conventions and other discussions organized by professional bodies – no matter how provocative and controversial the views of the teachers may be. For their part the universities have been happy to accept offers from official and professional bodies to make available some of their members to give regular or occasional lectures (unpaid) to groups of university students.

In brief, the universities take seriously their obligation to do their utmost both by research and teaching to raise the level of knowledge and the standard of competence of those who wish to study accounting. They perceive their role as teaching institutions to embrace a wider range of aspects and facets of accounting than the legal and technical aspects which are the preoccupation of other teaching organizations. They seek to make the study of accounting an experience as liberal and humane as the study of any of the so-called liberal arts. In these respects their potential contribution is acknowledged and, in not a few directions, actively encouraged by the professional organizations.

Yours faithfully,

R. J. CHAMBERS,
Professor of Accounting.

University of Sydney, Australia.

Cut in B.E.A. Services

SIR, – I note that on page 231 of *The Accountant* for February 24th, in the 'Weekly Note' headed 'Cut in B.E.A. Services', reference is made to 'subsidized services in Scotland'.

A subsidy is generally understood as being a subvention from Government sources, and I must draw your attention to the fact that no such subvention is received by B.E.A. We have, in fact, operated profitably for a number of years and during this period losses incurred on some routes, including those operated in Scotland, have been made good out of the profits earned on other routes. If our ability to earn profits is now to be restricted by the incursion of British independent airlines, we shall, of course, have to take steps to reduce our losses on the unremunerative routes.

Yours faithfully,

R. L. WEIR,
Financial Controller,
Ruislip, Middx. BRITISH EUROPEAN AIRWAYS.

[In our 'Weekly Note' commenting on the losses incurred by B.E.A. on certain routes, particularly in the North of Scotland, we were of course referring to the setting-off of losses on those routes from profits on the more remunerative ones. – Editor.]

Finance and Commerce

Turner & Newall

REPRINT limitations do not permit full justice being done to the accounts of Turner & Newall Ltd which are the subject of review this week. It is not possible, for instance, to show the green background to figures which makes all the difference in readability in a dual balance sheet which gives the parent and consolidated position against a narrative common to both. The use of italic figures in the comparison and of heavier type for the group totals in the 1961 columns is an added advantage. Thoughtfulness in these matters can save published accounts from becoming a maze of figures

The original also includes ten-year summaries (not reproduced) of consolidated results and balance sheets with the figures in £ million and decimals – a fair, easily-read and space-saving method for a company whose consolidated balance sheet now adds up to £108,151,633.

Two pages of the report are given to a description of the principal operating companies in the United Kingdom and abroad, with the names of their principal executives. The group, of course, is very much concerned in asbestos from the actual mining of the raw material. One member, Ferodo Ltd, with its brake linings, is almost a household word. This year also sees British Industrial Plastics Ltd a full member of the group.

Take-over Treatment

During the year under review, Turner & Newall made an offer for all the ordinary capital of B.I.P. not already owned and obtained a full acceptance. The offer, particulars of which were sent to Turner & Newall stockholders, involved the issue of 4,068,994 ordinary shares and a cash payment. There was also a fully-accepted offer for the B.I.P. 10 per cent free of tax 2*s* cumulative preference shares on the basis of 10*s* a share in cash.

Counsel's opinion was sought as to the correct method of dealing with the acquisition of the B.I.P. ordinary capital in the Turner & Newall books, and

as to the treatment of B.I.P. profits since September 30th, 1960.

Although the Turner & Newall ordinary stock was quoted on the London Stock Exchange at a substantial premium over par value at the date of the offer, counsel advised that the Turner & Newall directors were entitled to treat the cost of the shares acquired under the offer as being the amount of the cash part of the consideration paid, plus the nominal amount of the T. & N. shares issued.

With regard to profits accruing since September 30th, 1960, the advice was that if and when distributed by way of dividend, such profits would be received by the company as revenue and could be treated as forming part of its own distributable profits.

Going Concern

This advice was acted upon and the effect of the acquisition on the present accounts is set out in a note on the accounts. Fixed assets of B.I.P. and its subsidiaries have been brought into account at values established on a 'going concern' basis as certified by professional valuers following a recent revaluation.

The note on the accounts shows that B.I.P. is now fully-owned, gives the detail of the offer made, and brings out the fact that the B.I.P. shares are capitalized at the nominal amount of the T. & N. shares issued plus the cash consideration (including the cost of the shares already held) and stamp duty. In the consolidation, the excess of £3,472,763 of the cost arrived at on that basis over the B.I.P. group net tangible assets on September 30th, 1960 (including fixed assets at valuation), has been adjusted on capital reserves.

An interesting point for those engaged in share registration work is the passing over of the work of the company's own registration department to the District Bank Ltd. A departmental reorganization,

BALANCE SHEETS OF TURNER & NEWALL LIMITED

(The consolidated balance sheet combines the assets and liabilities of Turner & Newall Ltd. (Parent Company) with those of its subsidiaries,

	CONSOLIDATED				PARENT COMPANY			
	1961		1960		1961		1960	
	£	£	£	£	£	£	£	£
CAPITAL AND RESERVES								
Share Capital of Turner & Newall Limited								
Authorised: 60,000,000 Shares of £1 each		£60,000,000						
Issued: Seven per cent. Cumulative Preference Stock	1,444,269		1,444,269		1,444,269		1,444,269	
Ordinary Stock (Note 1)	47,847,866		43,778,872		47,847,866		43,778,872	
	49,292,135		45,223,141		49,292,135		45,223,141	
Capital Reserves (Note 2)	8,605,902		12,117,696					
Revenue Reserves (Note 3)	25,784,098		22,439,881		13,902,633		11,855,893	
TOTAL CAPITAL AND RESERVES		**83,682,135**		79,780,718		**63,194,768**		57,079,034
AMOUNT SET ASIDE FOR FUTURE TAXATION								
United Kingdom Income Tax on the profit for the year (due for payment 1st January, 1963)		**2,978,000**		2,835,000		**542,250**		349,700
AMOUNT RETAINED in respect of unearned inter-company profit and possible obsolescence on stocks held by United Kingdom subsidiaries						**2,625,000**		2,585,000
OUTSIDE INTERESTS IN SUBSIDIARIES (Note 4)		**1,614,604**		1,704,929				
CURRENT LIABILITIES AND PROVISIONS								
Current Liabilities:—								
Creditors and accrued charges	11,588,410		8,518,032		755,419		345,283	
United Kingdom taxation	4,276,080		3,015,782		446,134		457,225	
Net dividend on Preference Stock for the half year ended 30th September, 1961	30,961		30,961		30,961		30,961	
Final net dividend on Ordinary Stock as recommended in Directors' Report	2,344,545		2,547,383		2,344,545		2,547,383	
Net balances on inter-company accounts owing to variation in dates of balance sheets	1,442,581		2,129,122					
	19,682,577		16,241,280		3,577,059		3,380,852	
Provisions:—								
Development on Mining Properties	194,317		200,068					
TOTAL CURRENT LIABILITIES AND PROVISIONS		**19,876,894**		16,441,348		**3,577,059**		3,380,852
		£108,151,633		£100,761,995		**£69,939,077**		£63,394,586

The notes on pages [300–2]

it is pointed out, in the report of the directors, would have been necessary to cope with the extra volume of work arising from the increase in the number of stockholders in recent years and which now approaches 53,000, and the registration work has therefore been passed over to an organization specializing in it.

Which Season?

THERE is an understandable feeling of frustration with a company report that gives no indication of the nature of the business. A case in point is Adams (Durham) Ltd for whose report and accounts for the year to August 31st, 1961, we are indebted to a reader. The Stock Exchange Official Intelligence and the agencies statistical services can, of course, assist in filling the gap but such information is not always readily available, particularly to the ordinary investor.

The report refers to 'considerable technical difficulties in connection with the accounts' due to two major changes – a capital reduction conformed on March 27th, 1961, followed immediately by a take-over of the Somportex Group. And Somportex is doing well to the extent that 'the overall results of the trade for the Christmas 1961 season have broken all previous records'.

The directors now 'wish to remove the incidence of seasonal fluctuations from the accounts' and consider that April 30th would be a suitable date, but a change in the Somportex accounting date is undesirable for taxation reasons. However, in response to the directors' request, the Board of Trade has issued directions for interim audited accounts of that company to be included in group accounts made up to April 30th next which it is hoped to present to members in July.

No information whatever is given as to what Somportex is or does and therefore to what extent its trade is seasonal.

CONSOLIDATED AND PARENT COMPANY), 30th SEPTEMBER, 1961
based on balance sheets dated 30th September, 1961 and (for subsidiaries trading overseas and the companies of the Stillite Products Ltd. Group) 31st March, 1961)

	CONSOLIDATED				PARENT COMPANY			
	1961		1960		1961		1960	
	£	£	£	£	£	£	£	£
FIXED ASSETS								
Freehold and Leasehold Land and Buildings (Note 5)	27,878,578		21,883,845		230,776		230,776	
Less: Provision for Depreciation	7,605,521	20,273,057	6,931,205	14,952,640	85,815	144,961	81,953	148,823
Machinery and Plant (Note 5)	43,798,848		37,044,473		111,420		98,782	
Less: Provision for Depreciation	21,241,537	22,557,311	18,884,813	18,159,660	57,416	54,004	49,024	49,758
Mining Properties and initial development at cost	3,900,797		3,874,509					
Less: Provision for Amortisation	3,694,760	206,037	3,512,548	361,961				
Trade Investments at cost (Note 6)	2,244,559		2,339,314		1,310,566		1,377,579	
Less: Amounts written off	405,702	1,838,857	385,850	1,953,464	188,606	1,121,960	150,422	1,227,157
TOTAL FIXED ASSETS		44,375,262		35,427,725		1,320,925		1,425,738
INTERESTS IN SUBSIDIARIES (Note 7)						53,237,991		38,569,295
CURRENT ASSETS								
Stock-in-Trade, Contracts in Progress and Stores (Note 8)	27,343,857		23,228,723					
Less: Amounts invoiced on account of Contracts on which no profit has been taken	1,832,393	25,511,464	2,216,814	21,011,909				
Debtors and payments in advance		13,123,581		10,568,387		21,575		23,029
Investments (Note 9)		14,166,019		21,186,372		12,002,282		18,104,615
Tax Reserve Certificates		2,138,200		4,040,000		2,098,200		4,000,000
Balances at Banks and cash in hand		8,337,107		8,527,602		1,258,104		1,271,909
TOTAL CURRENT ASSETS		63,276,371		65,334,270		15,380,161		23,399,553
R. G. SOOTHILL *Chairman*								
R. M. BATEMAN *Deputy Chairman*								
		£108,151,633		£100,761,995		£69,939,077		£63,394,586

form an integral part of these accounts.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

of Turner & Newall Limited and its Subsidiaries for the year ended 30th September, 1961

(The profits of subsidiaries trading overseas and the companies of the Stillite Products Ltd. Group cover the year to 31st March, 1961)

	1961 £	1960 £
TRADING PROFIT FOR THE YEAR (Note 1) (including £1,074,343 in respect of British Industrial Plastics Ltd. and Stillite Products Ltd. Groups acquired during the year; the corresponding figure for these Groups for the previous year amounted to £1,220,241 and is not included in the 1960 figures)	14,778,690	13,636,555
MISCELLANEOUS INCOME less charges (Note 2)	1,277,771	1,159,585
PROFIT FOR THE YEAR BEFORE TAXATION	16,056,461	14,796,140
TAXATION—based on the profit for the year (Note 4)	8,322,223	7,171,434
PROFIT FOR THE YEAR AFTER TAXATION	7,734,238	7,624,706
Add:		
Provisions for taxation set up in previous years no longer required	312,051	230,304
	8,046,289	7,855,010
Deduct:		
Proportion of the profits of subsidiaries attributable to minority shareholdings therein	186,911	180,903
Profits of Stillite Products Ltd. Group for period prior to acquisition	60,404	
	247,315	180,903
BALANCE FOR THE YEAR AVAILABLE FOR APPROPRIATION (of which £5,625,481 (*1960—£5,470,409*) has been dealt with in the accounts of Turner & Newall Ltd.—see Directors' Report)	7,798,974	7,674,107
AMOUNTS APPROPRIATED:—		
General Reserve:—		
Turner & Newall Ltd.	2,000,000	2,000,000
Subsidiaries	366,828	736,462
	2,366,828	2,736,462
DIVIDENDS (after deduction of Income Tax):—		
Already declared or paid on account of the year ended 30 September, 1961:—		
On Preference Stock for the year	61,923	61,923
Interim dividend on £47,847,866 Ordinary Stock at 4 per cent	1,172,273	670,364
Recommended by the Directors:—		
Final dividend on £47,847,866 Ordinary Stock at 8 per cent. actual, making a total distribution of 12 per cent. for the year on such stock (compared with 12 per cent. paid for 1960 on the then Issued Ordinary Stock of £43,778,872)	2,344,545	2,547,383
	3,578,741	3,279,670
ADDED TO BALANCES CARRIED FORWARD:—		
Turner & Newall Ltd.	46,740	190,739
Subsidiaries	1,806,665	1,467,236
	1,853,405	1,657,975
	7,798,974	7,674,107

The notes . . . form an integral part of these accounts.

NOTES ON CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1961 £	1960 £
1. TRADING PROFIT FOR THE YEAR is arrived at after taking into account the following charges:—		
Provision for:—		
Depreciation of buildings, machinery and plant	3,523,924	2,952,551
Amortisation of mining properties (including special amount in 1961 of £92,350)	182,600	98,190
Development of mining properties	252,816	317,346
Auditors' remuneration and expenses	33,149	26,830
	3,992,489	3,394,917
2. MISCELLANEOUS INCOME less charges:—		
Income from trade investments	202,969	156,925
Income from investments in municipal mortgage loans and Government and other securities	770,622	685,867
Miscellaneous income including interest on tax reserve certificates and transfer fees	355,240	438,964
Profit on sale of United Kingdom Government securities	86,927	231,429
	1,415,758	1,513,185
Less Charges:—		
Interest on bonds issued by Turner & Newall (Overseas) Ltd.	27,187	30,938
Amount written off quoted investments	22,790	152,083
Amount written off trade investments	64,297	
Expenses (other than stamp duty) on acquisition of British Industrial Plastics Ltd.	23,713	
Stamp duty and expenses in connection with increase in capital		170,579
	137,987	353,600
	1,277,771	1,159,585
3. STATEMENT PURSUANT TO SECTION 196 OF THE COMPANIES ACT, 1948		
Directors of Turner & Newall Ltd.:—		
Remuneration from all sources for services to Turner & Newall Ltd. and subsidiaries		
Directors' fees	8,175	8,000
Other emoluments (including premiums paid for provision of pensions)	201,458	207,853
	209,633	215,853
Pensions for services in a managerial capacity paid to dependants	22,869	21,877
4. TAXATION—based on the profit for the year:—		
UNITED KINGDOM:—		
Income Tax	4,719,857	4,162,521
Profits Tax	1,697,000	1,175,000
	6,416,857	5,337,521
Less: Double taxation relief	2,019,381	1,463,710
	4,397,476	3,873,811
OVERSEAS	3,924,747	3,297,623
	8,322,223	7,171,434

NOTES ON BALANCE SHEET

	CONSOLIDATED £	£	PARENT COMPANY £	£
1. ISSUED CAPITAL—ORDINARY STOCK				
Balance at beginning of year		43,778,872		43,778,872
Add:				
Ordinary Stock issued as part consideration on the acquisition of British Industrial Plastics Ltd. (Note 1 on page [302])		4,068,994		4,068,994
Balance at end of year		47,847,866		47,847,866
2. CAPITAL RESERVES				
Balances at beginning of year:—				
Consolidation Reserve	6,442,696			
Replacement of Fixed Assets ..	5,675,000			
		12,117,696		
Add:				
Amounts capitalised by subsidiaries during the year (Note 3)		292,767		
		12,410,463		
Deduct:				
Adjustment consequent on acquisitions during the year:—				
British Industrial Plastics Ltd. (Note 1 on page [302])	3,472,763			
Stillite Products Ltd. Group ..	302,831			
Miscellaneous adjustments	28,967			
		3,804,561		
Balances at end of year:—				
Consolidation Reserve	2,930,902			
Replacement of Fixed Assets ..	5,675,000			
		8,605,902		
The Consolidation Reserve arises on the incorporation in the consolidated balance sheet of the tangible assets and liabilities of subsidiaries at book values.				
3. REVENUE RESERVES				
Balances at beginning of year:—				
General Reserves	15,363,278		10,607,521	
Unappropriated profit	7,076,603		1,248,372	
		22,439,881		11,855,893
Add:				
Amounts set aside out of profit to General Reserves	2,366,828		2,000,000	
Balance of the year's profit not appropriated	1,853,405		46,740	
		4,220,233		2,046,740
		26,660,114		13,902,633
Deduct:				
Unappropriated profit of overseas subsidiary transferred to current liabilities and provisions to cover possible liability in respect of taxation for previous years under dispute	550,000			
Amounts capitalised by subsidiaries during the year (Note 2)	292,767			
Miscellaneous adjustments	33,249			
		876,016		
Balances at end of year:—				
General Reserves	17,631,926		12,607,521	
Unappropriated profit	8,152,172		1,295,112	
		25,784,098		13,902,633
The Revenue Reserves include £11,621,690 held in companies overseas which would be subject to United Kingdom taxation, less appropriate double taxation relief, if remitted.				

	CONSOLIDATED 1961 £	*1960* £	PARENT COMPANY 1961 £	*1960* £
4. OUTSIDE INTERESTS IN SUBSIDIARIES				
Bonds issued by Turner & Newall (Overseas) Ltd. secured by a fixed and floating charge on the assets of that company and its subsidiaries:—				
$2,100,000 3¼ per cent. Collateral Trust Serial Bonds 1958/67	750,000	*857,143*		
In share capital of subsidiaries, and reserves and unappropriated profits attributable thereto	864,604	*847,786*		
	1,614,604	*1,704,929*		
5. FIXED ASSETS				
Freehold and Leasehold Land and Buildings				
At valuation in 1957 or later, plus subsequent additions at cost	15,965,330	*10,710,983*	230,776	*230,776*
At original cost—assets not revalued	11,913,248	*11,172,862*		
	27,870,578	*21,883,845*	230,776	*230,776*
Machinery and Plant				
At valuation in 1957 or later, plus subsequent additions at cost ..	18,635,655	*13,702,163*	111,420	*98,782*
At original cost—assets not revalued	25,163,193	*23,342,310*		
	43,798,848	*37,044,473*	111,420	*98,782*
6. TRADE INVESTMENTS				
These include an amount of £377,785 being the book value of an investment in a company which is deemed to be a subsidiary under the provisions of the Companies Act, 1948, but the Directors consider it would be misleading to include its assets and liabilities in the consolidated accounts. The Board of Trade has consented to the omission of information regarding this company's trading results.				
7. INTERESTS IN SUBSIDIARIES				
Shareholdings at cost less amounts written off and nominal value of shares issued as consideration ..			50,144,468	*38,826,099*
Amounts owing to Parent Company, including dividends receivable ..			6,749,273	*5,270,824*
Debentures at cost				*50,000*
			56,893,741	*44,146,923*
Deduct: Amounts owing by Parent Company			3,655,750	*5,577,628*
			53,237,991	*38,569,295*
8. STOCK-IN-TRADE, CONTRACTS IN PROGRESS AND STORES				
These have been valued at the lower of cost (including, in the case of stock-in-trade, an appropriate proportion of production overheads) and net realisable value on a basis consistent with that adopted in previous years, after deducting provisions for unearned inter-company profit and possible obsolescence.				
9. INVESTMENTS				
Quoted				
In the U.K.—British Government and other securities	10,705,364	*10,888,188*	10,602,282	*10,829,615*
Overseas—Dominion Government and other securities	1,620,655	*1,805,741*		
	12,326,019	*12,693,929*	10,602,282	*10,829,615*
Market Value	(12,476,681)	*(12,965,857)*	(10,744,484)	*(11,075,124)*
Unquoted				
In the U.K.—Municipal mortgage loans	1,400,000	*7,175,000*	1,250,000	*7,025,000*
Other	150,000	*250,000*	150,000	*250,000*
Overseas—Short term deposits ..	290,000			
U.S. Treasury Bills ..		*1,067,443*		
	1,840,000	*8,492,443*	1,400,000	*7,275,000*
Total Investments	14,166,019	*21,186,372*	12,002,282	*18,104,615*

GENERAL NOTES ON ACCOUNTS

1. ACQUISITION OF BRITISH INDUSTRIAL PLASTICS LTD.

During the year Turner & Newall Ltd. acquired the whole of the issued ordinary and preference shares of British Industrial Plastics Ltd. not already owned, on the basis of one Turner & Newall Ltd. share of £1 and cash of 28/– for every seven ordinary shares of 2/– each and cash of 10/– per share for each of the 10% free of tax cumulative preference shares of 2/– each. The acquisition involved the issue of 4,068,994 £1 ordinary shares of Turner & Newall Ltd. The Directors have been advised by Counsel that they are entitled to regard the cost of the British Industrial Plastics Ltd. shares as being the aggregate of (i) the nominal value of the Turner & Newall Ltd. shares issued and (ii) the cash portion of the consideration. The Directors have acted on this advice and the effect on the present accounts is as follows:—

Parent Company Balance Sheet:—

The shares in British Industrial Plastics Ltd. are capitalised at the nominal amount of the Turner & Newall Ltd. shares issued plus the cash consideration (including the cost of shares already held), and stamp duty.

Consolidated Balance Sheet:—

The excess of £3,472,763 of the cost arrived at as above over the net tangible assets of the British Industrial Plastics Ltd. Group at 30th September, 1960 (including fixed assets at valuation) is adjusted on Capital Reserves (Note 2 on page [301]).

2. OUTSTANDING COMMITMENTS

Estimated outstanding commitments for capital expenditure, not provided for in the books of the Company and its subsidiaries, amount to £4,000,000 (*1960—£1,700,000*).

3. RATES OF EXCHANGE

Assets and liabilities in Canadian and U.S.A. dollars have been converted into sterling at $2.80 to £1 and other Dominions and foreign currencies have been converted at the rates ruling at 31st March, 1961, or 30th September, 1961, i.e. the dates of the balance sheets of the subsidiaries.

4. FINANCIAL YEARS OF SUBSIDIARIES

Note pursuant to paragraph 22 of the Eighth Schedule to the Companies Act, 1948:—

The consolidated accounts incorporate the accounts of Turner & Newall Ltd. and its principal operating subsidiaries in the United Kingdom and two small subsidiaries operating overseas for the year ended 30th September, 1961, and those of its other subsidiaries trading overseas and one recently acquired group in the United Kingdom for the year to 31st March, 1961. It is not proposed to change the accounting dates to ensure that all overseas subsidiaries' financial years end with that of the Company as (a) the difference in accounting dates is of considerable advantage in facilitating the proper examination of the accounts of the subsidiaries concerned and enables the consolidated accounts of the Group to be prepared within a reasonable time after the end of the financial year of the Company, and (b) local circumstances overseas, particularly in relation to taxation matters, make a change undesirable.

5. CONTINGENT LIABILITIES

There is a contingent liability in respect of the Company's (secured) guarantee, up to a sum of $700,000, of bonds issued by a Canadian subsidiary, Turner & Newall (Overseas) Ltd. In addition there are contingent liabilities totalling £97,500 for uncalled capital in respect of trade investments.

CITY NOTES

THE culmination of the I.C.I.-Courtaulds battle has absorbed the City's attention this week but not to the extent that other broader influences have been entirely ignored. The approaching Budget is obviously now influencing investment operations, with the defensive investment attitude of recent weeks becoming increasingly marked.

Clearly the Budget can hardly be anything but tough. Government spending has overshot the target by a considerable margin and there is little consolation to be gained from the official view that the margin would have been greater still but for the policies of restraint and restriction.

Restraint – or 'the pause' – has operated to a reasonable degree and has not led to the development of large-scale labour unrest as it was expected to do in more pessimistic quarters. The establishment of the N.E.D.C. takes over where 'the pause' leaves off but it remains to be seen whether the N.E.D.C. becomes a constructive body. The fear is that it will become a sharply divided talking shop.

Meanwhile the strength of sterling has allowed a further repayment against last July's International Monetary Fund borrowings. The fact that the reserves last month rose £5 million despite a £75 million I.M.F. repayment, however, is more a reflection of high United Kingdom interest rates and uncertainty concerning the dollar than any indication of a decided and definite turn for the better in this country's balance of payments and overseas earnings position.

RATES AND PRICES

Closing prices, Wednesday, March 7th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Nov. 20, 1958	4%	Dec. 8, 1960	5%
Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%

Treasury Bills

Dec. 29	£5 8s	0·72d%		Feb. 2	£5 4s	4·93d%
Jan. 5	£5 8s	7·81d%		Feb. 9	£5 8s	0·74d%
Jan. 12	£5 8s	6·03d%		Feb. 16	£5 9s	10·81d%
Jan. 19	£5 6s	2·35d%		Feb. 23	£5 10s	7·47d%
Jan. 26	£5 4s	10·06d%		Mar. 2	£5 10s	11·26d%

Money Rates

Day to day	4⅜–5⅜%	*Bank Bills*	
7 days	4½–5⅜%	2 months	5 11/16–5¾%
Fine Trade Bills		3 months	5 11/16–5¾%
3 months	6¾–7½%	4 months	5 11/16–5¾%
4 months	6¾–7½%	6 months	5 11/16–5 13/16%
6 months	7–8%		

Foreign Exchanges

New York	2·81½–¾	Frankfurt	11·26¼–¾
Montreal	2·95⅝–¾	Milan	1748–¼
Amsterdam	10·18–½	Oslo	20·05–¼
Brussels	140·16¼–¾	Paris	13·79⅝–⅞
Copenhagen	19·36¼–¾	Zürich	12·21–¼

Gilt-edged

Consols 4%	61⅝	Funding 3% 59–69	83 11/16
Consols 2½%	39¾	Savings 3% 60–70	79⅝
Conversion 5¼% 1974	92 7/16	Savings 3% 65–75	71 1/16
Conversion 5% 1971	91 7/16	Savings 2½% 64–67	86 15/16
Conversion 3½% 1969	85⅜	Treasury 5½% 2008–12	87 5/16
Conversion 3½%	54	Treasury 5% 86–89	85¾
Exchequer 5½% 1966	98¾	Treasury 3½% 77–80	71 3/16
Funding 5½% 82–84	91 11/16	Treasury 3½% 79–81	69 15/16
Funding 4% 60–90	89 11/16	Treasury 2½%	39¼
Funding 3½% 99–04	60⅝	Victory 4%	94
Funding 3% 66–68	84¾	War Loan 3½%	55 5/16

Courses and Conferences

THE highlight of 1962 for the accountancy profession will, of course, be in the autumn when the Eighth International Congress takes place in New York from September 23rd to 27th. Notwithstanding the Congress, however, a considerable number of courses and conferences have been arranged by the professional bodies in the United Kingdom, some details of which are given below.

March 30th–April 1st

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Week-end School

A WEEK-END school is to be held by The Association of Certified and Corporate Accountants from March 30th–April 1st at St John's College, Cambridge. The school will be opened by the President of the Association, Mr G. L. Barker, F.A.C.C.A.

Four papers are to be presented as follows:

'The accountant and the Common Market', by Mr H. Shearing, A.A.C.C.A., Senior Lecturer, Ealing Technical College.

'Some aspects of management and statutory auditing', by Mr L. A. Hill, A.A.C.C.A., Manager, Methods and Procedures Division, Shell International Petroleum Co Ltd.

'The relationship of the professional man to the Inspector of Taxes', by Mr A. W. Nelson, A.A.C.C.A.

'Education and training for the accountancy profession', by Mr E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., Principal Lecturer, Slough College of Further Education.

There will be discussion in groups following each paper and at the end of each day the author, assisted by a panel, will answer questions.

A guest night dinner in Hall will be held on the Friday evening of the school when members will entertain university and other guests.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Week-end Conference

DURING the same the week-end, The Institute of Municipal Treasurers and Accountants will also be holding a conference at Cambridge but at Caius College. The conference will be under the chairmanship of Sir Charles Cunningham, K.B.E., C.B., C.V.O., Permanent Under-Secretary of State, Home Office, and members will discuss some current problems of public finance. The principal speakers will be:

Mr G. Edney, B.COM., F.S.A.A., F.I.M.T.A., General Manager, Port of Bristol Authority.

Mr G. B. Esslemont, C.B.E., M.A., B.COM., LL.B., C.A., F.I.M.T.A., J.P., City Chamberlain, Glasgow.

Dr D. S. Lees, PH.D., B.SC.(ECON.), Lecturer in Economics, University College of North Staffordshire.

Mr Ian T. Morrow, C.A., F.C.W.A., a member of Council and a Past President of The Institute of Cost and Works Accountants.

Mr H. Tetley, C.B., M.A., Government Actuary.

The topics will include a survey of problems associated with public pensions administration and policy, financial management in the public services in the light of recent Government pronouncements, and the relationship of various current problems to the national economy.

April 12th–14th

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Conference on Information for Management

AS announced in *The Accountant* of January 27th, the Committee of the London and District Society of Chartered Accountants have arranged a residential conference on information for management to be held at New College, Oxford, from April 12th–14th, under the chairmanship of Mr Brian A. Maynard, M.A., F.C.A. The conference will be opened by Mr P. F. Carpenter, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales.

Two papers are to be presented, the first by Mr N. R. Bellwood, F.C.A., of the British Transport Commission, will be entitled 'Improving management accounting in the small business', and the second, by Professor A. Goudeket, Chief Internal Auditor of the Philips' Group, Holland, on 'Long-term planning'. There will be group discussion following both the papers.

A feature of the course will be a management decision game and on the morning of the final day of the course members will travel to London to continue the game with the use of IBM 7090 and 1401 computer systems at the IBM Data Centre.

May 10th–12th

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

National Cost Conference and Annual Meeting

THE thirty-third National Cost Conference of The Institute of Cost and Works Accountants will take place at the Old Swan Hotel, Harrogate, on May 10th and 11th, to be followed by the annual general meeting of the Institute on May 12th.

Two papers will be presented as follows:

'When figures become people', by Mr C. E. Sutton, F.C.A., F.C.W.A.

'The cost of quality', by Mr K. S. Ayres, F.C.W.A.

In addition, Professor M. G. Kendall, M.A., SC.D., Managing Director, C.E.I.R. (U.K.) Ltd, will address members. On the Friday morning, the President of the Institute, Mr F. M. W. Hird, F.C.A., F.C.W.A., will deliver his presidential address.

The social functions will include a reception and dance given by the Mayor and Mayoress of Harrogate, Mr F. W. Allum, F.C.A., F.C.W.A., J.P., and Mrs Allum; the President's reception and the annual banquet and dance. A special ladies' programme has been arranged.

May 29th–June 1st

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Annual Meeting and Conference

THE annual meeting and conference of The Institute of Municipal Treasurers and Accountants will be held on May 29th, 30th and 31st and June 1st in Edinburgh.

The provisional programme for the conference includes, in addition to the presidential address of Mr A. L. Imrie, C.B.E., F.I.M.T.A., C.A., an address by the Rt Hon. Henry Brooke, M.P., Chief Secretary to the Treasury and Paymaster-General, and papers by the Rt Hon. Lord James of Rusholme, Vice-Chancellor, University of York, and Mr Kenneth Hyde, F.S.A.A., F.I.M.T.A., County Treasurer of Cornwall. The conference will open with an address on the Wednesday morning by the Rt Hon. The Lord Craigton, C.B.E., Minister of State for Scotland.

The Rt Hon. Lord Clyde, Lord Justice General of Scotland, has accepted an invitation to attend the annual dinner and dance as guest of honour at the Assembly Rooms on May 30th.

July 18th–22nd

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Summer Course at Cambridge

THE first of the two summer courses of The Institute of Chartered Accountants in England and Wales will take place at Emmanuel and Sidney Sussex Colleges, Cambridge, from July 18th–22nd (the course at Oxford is from September 13th–18th). The subjects and speakers at the Cambridge course will be:

'Taxation aspects of amalgamations and reconstructions', by Mr D. O. Bailey, F.C.A.

'Service to management', by Mr R. D. S. Shrimpton, F.C.A.

'Insurance and the accountant', by Mr D. Williamson, F.C.A.

Group discussions will follow each paper, and the programme will also provide for recreational and social activities including a guest night dinner in Hall.

August 31st–September 4th

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Summer School at St Andrews

THE tenth summer school of The Institute of Chartered Accountants of Scotland is to be held at the University of St Andrews from August 31st–September 4th.

Three papers will be presented as follows:

'A critical review of recognized accounting conventions', by Mr Robert M. Morison, M.A., C.A.

'The young chartered accountant looks forward', by Mr J. C. Shaw, C.A., and Mr A. C. Stewart, C.A., M.O.M.A.

'Financial controls in industry', by Mr W. L. Spalding, B.SC., C.A., F.C.W.A., F.C.I.S.

In addition, an address will be given by Professor D. J. Robertson, M.A., of the Chair of Applied Economics in the University of Glasgow.

September 13th–18th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Summer Course at Oxford

THE Oxford summer course of The Institute of Chartered Accountants in England and Wales will be held at Christ Church and Pembroke College, from September 13th–18th. The subjects and speakers at the course will be:

'The training of accountants for industrial responsibility', by Mr G. W. Searle, D.F.C., F.C.A.

'The problems of the smaller practice', by Mr R. W. Smith, O.B.E., T.D., F.C.A.

'Investment in stocks and shares', by Mr A. G. Touche, F.C.A.

Each paper will be followed by discussion in groups. Other activities will include industrial tours, a golf competition, and a guest night dinner in Hall.

October 10th–12th

THE INSTITUTE OF INTERNAL AUDITORS

Third European Regional Conference

THE Institute of Internal Auditors is holding its third European Regional Conference at the Hotel Metropole, Brighton, from October 10th–12th. The theme of the conference will be 'Developing the right internal audit perspective' and the speakers will be Mr Bradford Cadmus, managing director, The Institute of Internal Auditors; Mr D. W. Hooper, M.A., F.C.A., chief organizing accountant, National Coal Board; Mr C. S. Deverall M.A., B.SC.(ECON.), B.COM., F.C.I.S., Head of Department of Commerce and Management Studies, Brighton Technical College, and Mr J. E. Wall, managing director, Electric and Musical Industries Ltd. It is hoped also to arrange a ladies' programme.

October 19th–22nd

National Taxation Conference

THE twelfth National Taxation Conference is to be held in Scarborough from October 19th–22nd. under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*.

The speakers will include Mr E. H. Gordon, B.A., taxation consultant, Slaughter & May (formerly Principal Inspector of Taxes, Board of Inland Revenue); Mr P. H. Sée, C.B., Parliamentary Counsel; Mr A. Dale, F.A.C.C.A.; Mr Geoffrey Stevens, M.P., F.C.A., and Dr A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). A feature of the conference will be a Brains Trust under the chairmanship of Mr J. S. Heaton, F.C.A.

Social functions will include a civic reception and dance, a reception and cocktail party given by the Editor of *Taxation*, a golf competition for the *Taxation* Challenge Cup, and a ladies' programme.

November 22nd–24th

THE LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Taxation Conference

THE Committee of The London and District Society of Chartered Accountants are arranging to hold a taxation conference for members from November 22nd–24th at Brighton. The subjects and speakers are to be announced.

Accountants and the Common Market

Chartered Accountants' Dinner in Sheffield

The entry of Britain into the Common Market and the part accountants could play was stressed by speakers at the annual dinner of the Sheffield and District Society of Chartered Accountants, held at the Cutlers' Hall, Sheffield, on Thursday of last week. There was more than 400 members and guests, with Mr A. G. Thomas, F.C.A., President of the Society in the Chair.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Sir R. Mark C. Turner, managing director, Kleinwort Benson, the London merchant bankers, said he felt particularly honoured to be there, as he had learned that it was the accountancy societies of Sheffield, Manchester, Liverpool and London which in 1880 had got together and formed the Institute which performed a service which was now so notable in this country.

In America, the lawyer had pride of place in the field of company advisers which was enjoyed in Britain by the chartered accountant. While he disagreed with the American system, he cast no aspersions on the legal system – indeed the very reverse. But he thought the great thing about the association between law and business in this country was the non-involvement of law in business.

Change in Society

During the last fifteen years, however, there had been a great change in society. He supposed it had been brought about partly as the result of the shocks to the economic system caused by the war; partly by the very heavy taxation which was borne by the public companies; partly by the take-over bids, which had kept managements and boards of management on their toes; and partly by the anomalies created by the compulsory merger system, which had brought a greater scientific approach to industry. There had been very considerable differences in the approach of industry towards its own problems, said Sir Mark who continued:

'I am glad to see that on the boards of many companies there are financial directors who have been drawn from the chartered accountants' profession. In the larger companies, indeed, they have financial controllers who are chartered accountants.

'There has been another equally important development, which is the relationship between the practising accountant and his clients. It has undergone a fundamental change. It has gone beyond seeing that books are correct; it is the recognition that sharing problems can bring a solution to the benefits of business, which would not be possible if they were to keep their minds on petty details.

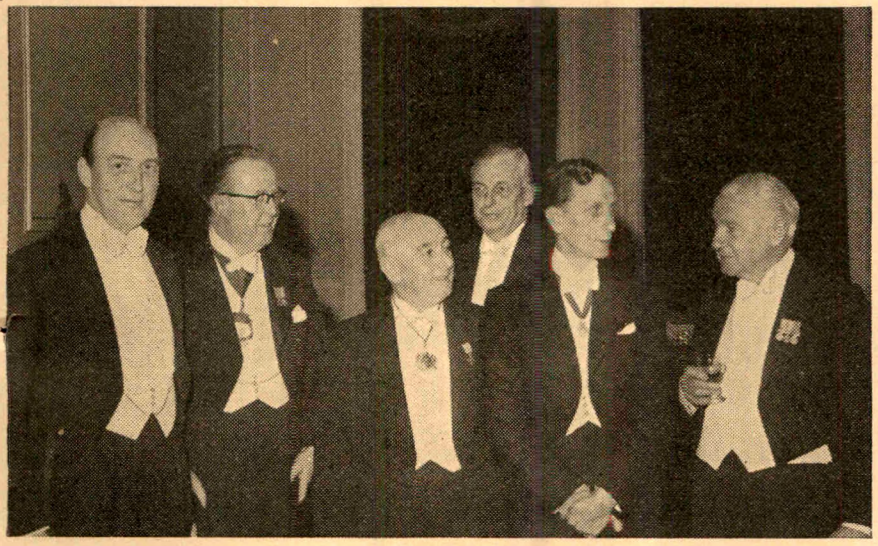
Passing on to the Common Market, he said he felt Britain's entry in this community was vital to its future. They had been in an unfortunate position for quite a time of really not knowing whether they were to be in or out, and not knowing whether to plan for inclusion or exclusion. He hoped they would go into the Common Market, and he had no doubts at all of the success which entry would bring.

But they would face great problems; one was that in a large area of western Europe there was no accounting system as we knew it. Fortunately, many accounting firms in the United Kingdom had offices in Europe which, when they began to build the bridge, would enable our methods to tie in with European methods.

Responding to the toast, Mr P. F. Granger, F.C.A., President of the Institute said they had heard a remarkable speech from Sir Mark Turner. He hoped due notice and attention would be had by members to his remarks.

The World their Oyster

He said the Institute had been going on for more than eighty years and its members had become known for integrity and fair dealing. That was what the older generation had contributed. But life had got more and more complicated, and if they had any sons or



At the dinner (*left to right*): Sir Mark Turner; Mr P. F. Granger, F.C.A., President of the Institute; Alderman J. W. Sterland, Lord Mayor of Sheffield; Mr Philip H. Shirley, F.C.A.(Aust.), a member of the British Transport Commission; Mr A. G. Thomas, F.C.A., President of the Sheffield and District Society, and Dr L. du Garde Peach.

daughters coming along he would remind them they needed in the Institute the best they could get. There was an opportunity today for suitable young men and women to become members of the Institute which he did not think had ever happened before, and he could see that it would continue for quite a long time. In fact, the 'world was their oyster' if they passed their examinations.

Proposing the toast of 'The City and Trades of Sheffield' Mr Philip H. Shirley, F.C.A.(AUST), a member of the British Transport Commission, who was previously chairman of Batchelors Foods in Sheffield, said the city had made tremendous strides with new markets, and he felt that to some extent it was an injustice to concentrate on the steel side. It had many allied industries.

Mr Shirley said they could not talk about industry without talking about people who made them efficient; and in every analysis there was the skills, enthusiasms and loyalties of those employed in the industries from the floor to the top – operators and management. Unfortunately, they had never found a way, as accountants, of expressing those assets in the balance sheets. But as accountants they recognized that people were as important as industries, and that was absolutely essential in the days to come.

Responding, Alderman J. W. Sterland, M.B.E., J.P., Lord Mayor of Sheffield, said he believed the country was about to enter the Common Market and he did not think they need be afraid of the future. It should be regarded as a great challenge.

Mr A. G. Thomas, President of the Sheffield Society proposed the toast of 'The Guests', to which Dr L. du Garde Peach, M.A., responded.

Students' Dinner at Manchester

Mr J. K. Elliot, M.SC., Manchester's Chief Education Officer, said at the annual dinner of The Manchester Chartered Accountants' Students' Society on March 1st that it was heartening to see a professional body so concerned about the training of its future members.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr Elliot said he learned from the Institute's general information booklet that candidates for membership should have reasoning power, an aptitude for figures, a sound knowledge of elementary mathematics, the ability to be concise and lucid, and a thorough knowledge of the English language.

They should also have patience and concentration, powers of observation and deduction; be quick at grasping facts, and be ready and able to accept responsibility and act on their own initiative. They should possess tact, the power to inspire confidence and the ability to supervise the work of others.

Concern

Mr Elliot said he had read with great interest the 1961 report of the Institute's Committee on Education and Training, and it was heartening to see a professional body so concerned about the training of its future members; he detected more than the usual professional concern in the frequent references to the upbringing of students. There was increasing competition for able young men and women, and he had noticed in the report that between 1952 and 1959 the percentage entry with 'O' level qualifications fell from 73 per cent to 69 per cent whilst those with 'A' level rose from 12 per cent to 17 per cent.

Mr W. L. Barrows, LL.D., F.C.A., a Past-President of the Institute, responding to the toast, said the younger people always had the tendency to feel that the older people did not appreciate their problems. But he assured students that more time was spent by the Council in connection with the younger people than on any other single subject.

He said that while perhaps relations with educational authorities had not always been of the best, there was a growing awareness throughout the country that a closer link with the universities was vital in the future of the profession.

Common Sense

One thing was very important and that was the use of common sense. When he last spoke to the Society, in 1951, he said that students should not rely entirely on their correspondence courses, but should broaden their outlook with social and sports activities in their students' society. He was glad that the Manchester Society's social and sports side was as strong as it always had been.

Mr P. G. Mason, M.B.E., M.A., High Master at Manchester Grammar School, proposing the toast to 'The Manchester Chartered Accountants Students' Society' recalled a trip he had had behind the Iron Curtain including East Berlin, and said that compared with the Germany before the war there had been a great revolution. There were special schools in each region, where children were forced to maintain their athletic standards or they were put out of the school. Mr Mason said he felt that the maintenance of a free society depended above all things on the freedom in educational institutions and freedom in professional organizations.

Character

Responding to the toast, Mr A. H. Walton, F.C.A., President of the Society, said while education and training was, of course, the basis on which students acquired their accountancy qualification, another important factor was character.

He said the activities of the Manchester Students' Society had never been so broad and varied; even the development of bowling alleys had not passed them by and they were going to compete in that field very shortly.

Mr J. Townsley, B.COM., a member of the Committee, proposed the toast of 'The Guests' and Miss S. Chalmers, Vice-President of the University of Manchester Union, responded.

Scottish Institute's 'International Basis'

President's Comments at Birmingham Dinner

The international basis of The Institute of Chartered Accountants of Scotland was stressed by the President of the Institute, Mr Graham A. Usher, M.B.E., T.D., C.A., speaking at the dinner of the Association of Scottish Chartered Accountants in the Midlands at the Queen's Hotel, Birmingham, on March 2nd.

Bouncing Babies of Birmingham

Mr Usher, responding to the toast of the Institute coupled with that of the Association of Scottish Chartered Accountants in the Midlands, was speaking to 181 members and guests of the Association, in an atmosphere as Scottish as the haggis, duly addressed, a piper and, of course, the national 'beverage' could make it. He described the Midlands Association, one of the youngest offspring of the Institute, as 'our bouncing babies in Birmingham', and wished them many happy and prosperous years in the worlds of finance and commerce.

He said that the Scottish Institute always tried to operate on an international basis, paying no attention to national boundaries and domestic politics. There were some 700 places out of Scotland, including 500 abroad, where members of the Scottish Institute were diligently working.

The Scottish Institute had been in touch with the Continent for many years, and he pointed out that the first accountant in Scotland, George Watson, served his apprenticeship 300 years ago in Antwerp. In 1963, the Institute will welcome the leading accountancy bodies of all the countries of Europe outside the Iron Curtain at the European Congress of Accountants to be held in Edinburgh under the auspices of the Institute.

Commenting on the Common Market, Mr Usher said:

> 'For years we have quietly been going about our business, taking such steps as we can to see that our freedom to practise throughout the world is not unduly restricted. Almost anybody from abroad can come and practise in this country, provided they satisfy the Board of Trade.'

There were over 500 people with overseas qualifications practising in this country, although none of them, as far as he knew, were in Scotland – but precious few Englishmen had dared to practise up there, he added, humorously.

In their endeavour to keep up their standards of accountancy and to keep as up to date as possible, the Scottish Institute had recently overhauled their training methods, demanding that all trainees should spend a period at a Scottish university. In the past, said Mr Usher, a man could become a member of the Scottish Institute and never have set foot in Scotland. Now, at little expense to himself, a man can at last have some direct Scottish connection.

Community's High Regard for the Profession

Sir Milner Holland, C.B.E., Q.C., in proposing the toast, said that the community had a very high regard for the profession of accountancy. It was a profession which had set itself very high standards, and therefore enjoyed a correspondingly high standing in the community. The reason for this was that, like any other serious-minded profession, they had set their standards far ahead of what the mere law required.

In the nineteenth century it was said that auditors were 'watchdogs' and not 'bloodhounds', but Sir Milner thought that was a rather low standard to take. The general public wanted to feel that the auditors made very careful checks before signing a company's books.

Of accountants in general he said, 'The community accepts that they not only render very valuable services as professional practitioners, but that they occupy a most important position in executive, managerial and boardroom posts.'

Describing the Midlands Association as 'migrants', he pointed out that in 1954 only 52 per cent of Scottish Chartered Accountants had remained in Scotland, with 30 per cent in the southern half of the United Kingdom.

The toast of 'The City of Birmingham' was proposed by the Bishop of Birmingham, the Rt Rev. John Leonard Wilson, C.M.G., M.A., D.D., who revealed that he had started his working life as an articled clerk with a Newcastle upon Tyne firm of chartered accountants.

Talking of the great cities of the past, Athens, Rome and Jerusalem, he said that no people more than the Scots had taken up the idea of home, religion and history.

He emphasized the amount of voluntary work done in the city, and said that the only thing that would make Birmingham really great would be the moral and spiritual quality of its citizens, shown by how far they cared for one another.

Alderman Donald Johnstone, J.P., Deputy Mayor of Birmingham, replied on behalf of the city.

The Association's Contribution

Mr W. A. Nicol, C.A., F.C.C.S., Chairman of the Midlands Association, and administrative director of Guest, Keen & Nettlefolds Ltd, who suggested the formation of the Association, was presiding at the dinner on the fifth occasion.

He said that the Association hoped to make some contribution to the financial, industrial and commercial life of the country. The Midlands Association was a small but happy one, and he was sure that it would continue to make a contribution to the ideals and achievements of the Scottish Institute.

Expressing the wish that haggis might become an established delicacy in England, he gave the invitation 'Haste ye beck' to the many guests from Scotland and elsewhere.

Mr Arthur Dickson Wright, M.S., M.B., F.R.C.S., the eminent surgeon, was on top of his form, in a witty, humorous response.

The vote of thanks to the Chairman was proposed by Mr P. F. Carpenter, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales.

Notes and Notices

THE INSTITUTE'S SUMMER COURSES

Closing Date for Applications

Members of The Institute of Chartered Accountants in England and Wales are reminded that the closing date for applications to attend the summer courses to be held next July and September, details of which are given on page 304 of this issue, is Friday, March 16th.

PROFESSIONAL NOTICES

MR PAUL BADDELEY, F.C.A., the sole principal of PAUL BADDELEY & CO, Chartered Accountants, since the firm's commencement in 1931, announces that as from March 1st, 1962, Mr ROGER JACKSON CLARK, M.A., A.C.A., has joined him as a partner. The style of the new partnership will be PAUL BADDELEY & CO, and the practice will be conducted primarily from 9 & 10 Fenchurch Street, London EC3, as at present. Mr CLARK is now, and will continue to be, a partner in BROWN, PEET & TILLY, Chartered Accountants, of 62 London Wall, EC2. It is intended that the new partnership, PAUL BADDELEY & CO, will establish a professional association with BROWN, PEET & TILLY, although the two firms will remain separate.

MESSRS JOHN C. DAWSON & CO, Chartered Accountants, of The Red House, Duncombe Place, York, announce that as from March 1st, 1962, they have taken into partnership Mr Brian Waddington, A.C.A., who has been a member of the staff since March 1960. The name of the firm is unchanged.

MESSRS JOHNSON, MURKETT & HURST, Chartered Accountants, of Rawdon House, Rawdon Terrace, Ashby de la Zouch, announce that they are taking into partnership with effect from April 1st, 1962, Mr IAN WILLIAM GOODRUM, A.C.A., who has been a member of their staff for the last eight years. The name of the firm will remain unchanged.

MESSRS TURQUAND, YOUNGS & CO announce that their North Borneo firm opened an office at P.O. Box 648, Jalan Tiga, Sandakan on March 1st, 1962. The office will be under the management of Mr D. G. W. HABEN, A.C.A., and under the general supervision of their Jesselton office.

Appointments

Mr A. G. B. Burney, O.B.E., B.A., F.C.A., has been appointed to the board of Stone-Platt Industries Ltd.

Mr James T. Dowling, C.A., has been elected chairman of the Great Northern Investment Trust Ltd.

Mr F. W. Harper, F.C.A., has been appointed chairman of Golden Hope Rubber Estate Ltd and Straits Plantations Ltd.

Mr John Sands, C.A., has been appointed chairman of London Asiatic Rubber & Produce Co Ltd.

Mr E. W. Tavener, F.C.A., secretary of Millars' Timber and Trading Co Ltd, has been appointed to the board of Millars' Machinery Co Ltd.

Mr Eric Turner, F.C.A., has been appointed to the board of the Iron Trades Insurance Companies.

OBITUARY

William Morrison May, P.C., F.C.A.

We have learned with regret of the death on March 2nd at the age of 52 of the Rt Hon. William Morrison May, P.C. (Northern Ireland), F.C.A., Minister of Education, Northern Ireland.

Educated at Methodist College, Belfast, Mr May was admitted to membership of The Institute of Chartered Accountants in Ireland in 1931 and four years later became a partner in the firm of Quin, Knox & Co, Chartered Accountants (now Stewart Blacker Quin, Knox & Co), of Belfast and Dublin.

Mr May was elected Unionist M.P. for Ards in 1949 and was re-elected in 1953. He was appointed Minister of Education in 1957 and under his guidance a number of changes were introduced, notably new regulations on eligibility for university scholarships which produced a large increase in the number of students. He was also responsible for the Youth Welfare Act which became law in the past year and provides principally for an increase in grants for youth club leaders serving on a full-time basis. He was always an advocate of the need for increasing the skill of the rising generation.

During the Second World War he served with the Royal Air Force, attaining the rank of Wing-Commander.

IN PARLIAMENT

P.A.Y.E. Tables: Travel Allowances

Mr A. LEWIS asked the Chancellor of the Exchequer what estimate he has made of the cost to the Treasury of adjusting the Pay As You Earn tax tables to include an automatic 10s per week allowance for travelling to and from work to all workers in the wage and salary range up to £1,500 per annum.

Mr BARBER: About £125 million in a full year.

Hansard, Mar. 1st, 1962. Written Answers. Col. 168.

Take-over Bids: Jenkins Committee

Mr STRATTON MILLS asked the President of the Board of Trade if he will make a statement on those aspects of take-over bids which the Jenkins Committee has been asked to consider.

Mr ERROLL: The Committee has been asked to consider, in relation to take-over bids, the duties of directors and the rights of shareholders. Thus it is concerned to see whether existing legislation ensures fair dealing between the parties to such transactions. The broader economic and social questions which have been raised in relation to some recent bids are not within the Committee's terms of reference.

Hansard, March 5th, 1962. Written Answers. Col. 16.

CENSUS OF DISTRIBUTION FOR 1961

Returns due by March 31st

Retailers who have not yet completed Census of Distribution forms are reminded that these forms should be completed in full and returned by March 31st, unless the return relates to a business year ending later than December 31st, 1961; in that case, the form

should be completed and returned as soon as possible after the end of the business year.

Further copies of the census forms, or other information relating to the census, may be obtained from the Board of Trade, Census Office, Eastcote, Ruislip, Middlesex. (Telephone: Pinner 8771, Ext. 227.)

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Spring Residential Course

A week-end course for articled clerks who have not yet sat for the Intermediate examination is to be held by The Chartered Accountant Students' Society of London at Corpus Christi and Pembroke Colleges, Cambridge, from April 12th to 15th.

Five lectures are to be given and each will be followed by group discussion and by a final meeting with the lecturer at the end of the day. Subjects and speakers will be:

'Every day justice', by Mr Harold F. R. Sturge (Metropolitan Magistrate).

'What it is like to be a principal', by Mr S. J. D. Corsan, F.C.A.

'Professional ethics and all that', by Mr Donald V. House, F.C.A. (a Past President and a member of the Council of the Institute).

'Shapes . . . and sizes (the world of the architect in creating shapes and sizes out of facts and figures)', by Mr Peter Darvall, B.A., A.R.I.B.A.

'Britain and the European trade', by Mr A. R. Ilersic, M.SC.(ECON.), B.COM.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of the London and District Society of Chartered Accountants will take place on March 14th, at the Tiger Tavern, 1 Tower Hill, London EC3, at 6 for 6.30 p.m. The topic for discussion will be: 'How misleading can your accounts be?', introduced by Mr D. Napper, F.C.A.

The hon. secretary of the group is Mr D. S. Lewis, F.C.A., A.A.C.C.A., c/o Alex. Parkes, Westmacott & Co, 3 Copthall Buildings, Copthall Avenue, London EC2.

CAMBRIDGE COURSE FOR MANAGERS

The tenth residential course for managers in industry organized by the Cambridge Board of Extra-Mural Studies is to be held at Madingley Hall, from July 2nd to 28th.

The course is intended for managers under 40 years of age who have had some years of industrial experience. Preference will be given to applicants whose ability and promise make them likely candidates for promotion. Candidates must be nominated by their employers who are required to report fully on the applicants' suitability for the course. The course will be concerned primarily with the role of the manager and his responsibilities in modern society. It will deal, not with management techniques, but with the political, economic, social and human background against which specific problems should be seen.

Copies of the prospectus and application forms are available from the secretary of the Board, Stuart House, Cambridge.

DOUBLE TAXATION: ISRAEL

Discussions were held from February 19th to 27th between representatives of the Board of Inland Revenue and representatives of the Government of Israel to negotiate a new agreement for the avoidance of double taxation between the two countries. Agreement was reached at the official level, and a draft embodying the terms of the new arrangements was initialed on February 27th. The draft Agreement will now be submitted to the two Governments for approval.

INSTITUTE OF INTERNAL AUDITORS

Manchester Chapter

The Manchester Chapter of The Institute of Internal Auditors is holding its next meeting on Tuesday, March 20th, in The Chartered Accountants' Hall, 46 Fountain Street, Manchester 2, when Mr A. Stevens, internal auditor, Associated Electrical Industries (Manchester) Ltd, will speak on 'Internal auditing in practice – the scope of my job'.

A cordial invitation is extended to all interested, and further information regarding the activities of the Chapter may be obtained from the secretary, Mr K. Bradley, assistant internal auditor, The Associated Octel Co Ltd, Northwich, Cheshire.

LOCAL GOVERNMENT SERVICES

Rising costs are shown in two statistical returns giving details of local government services in respect of children and local health services for 1960–61 issued jointly by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers[1].

The twelfth annual return on children services contains information about expenditure and costs in residential homes and nurseries provided by local authorities in England and Wales and shows for each county borough and county the net expenditure and grants per 1,000 population. The number of children in care at March 31st, 1961, was 61,033 an increase of 638 on the preceding year, and the average cost for caring for each child amounted to £5 11*s* 8*d* a week as against £5 7*s* the year previously. Net expenditure totalled £22,615,824 compared with £21,156,675 in 1959–60.

The return dealing with health services shows expenditure per 1,000 population for each part of the service, i.e. day nurseries, ambulance services, etc., and unit costs are given in some of the more important sections of the service. Total net expenditure met from rates and grants rose from £62,165,943 in 1959–60 to £66,220,894 in 1960–61. Expressed as a rate in the £ this represented 22·15*d* and 22·90*d* respectively. Expansion in mental health services following the 1959 Act, increased the cost per thousand from £77·13 to £95·2.

NEW BUSINESS NAMES REGISTERED IN 1961

During the year ended December 31st, 1961, there were 39,007 new registrations under the Registration

[1] *Children Services Statistics 1960–61, Local Health Services Statistics, 1960–61.* Price 5*s* each post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1.

of Business Names Act, 1916 (as amended by the Companies Act, 1947), and 11,026 names were removed from the registers. The total remaining on the registers at December 31st, 1961, was 851,325.

Three prosecutions were instituted during the year for non-compliance with the Act. A conviction was obtained in each case.

ECONOMIC CONDITIONS IN DENMARK

A further booklet in the 1962 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued covering Denmark. Copies of the booklet are obtainable from H.M. Stationery Office, price 3*s*.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of Examinations held in December 1961

FINAL EXAMINATION

SECTION I

First Place and Prize: Pinchen, J. E., Long Ditton

Second Place: Kenyon, J. J., London *Third Place:* Clough, B., Oldham; Monckton, A. N., Pembury

(in alphabetical order)

Adewuyi, J. O., London
Akhimieho, E., London
Akong, A. K., London
Alete, S. I., Worthing
Amos, K. J., Redhill
Athey, A. W., Dublin

Badger, W. J., Hove
Baladi, J. A., Khartoum
Barrow, W. R., Kendal
Beckett, E. F., New Malden
Benwell, D. T., Birmingham
Birchall, P., Rochdale
Bird, W. A., Nottingham
Blunden, L. D., Bromley
Bowbrick, L. J., Woking
Bowden, J. I., Leigh-on-Sea
Brown, A., Bromley
Brown, D. A. G., London
Buckland, R. T., Brighton
Bull, R. J., Barking
Bushnell, F. P., London

Clark, A. F. F., Wembley
Clarke, R. A., London
Clinton, F. C. B., London
Conlon, M. G., St Albans
Cooper, A., Banbury
Cooper, P. F., London
Cosgrove, M., London
Cross, J., Flackwell Heath

Davies, J., Harrow
Davis, A. P. M., Teddington
Deegan, J. C., Southill
De Vear, H. W., London
Devlin, B. J., Croydon
Donworth, J., London
Dunn, A. J., Birmingham
Dyal, J. I., London

Elbourne, G. M. T., London
Embury, C. S., Buxton
Evans, P., Wallasey

Fleming, J. B., Bangor
Foley, J. D., Bristol
Francis, D. P., Rhondda
Fullerton, H. A., London

Gabanyi, J., London
Gall, A. R., Paisley
Garner, G. G., Bedford
Garner, J. H., Liverpool
Giles, M. P., Lancing
Gill, R., Mansfield
Godfrey, C. M., Horsham
Graham, J. C., Caterham
Gray, W. H., Edinburgh
Greenwood, D. A., Bradford

Hankinson, I. W., Manchester
Harris, G. C., London
Hitchens, R. A. S., Whyteleafe
Hoyland, M. D., Liverpool

James, K. T., Swanley
Jones, J. R. J., Wolverhampton

Kauders, E., Harrow

Lawrie, J. T., Aberdeen
Ledsham, T. H., Wrexham
Leeming, R., Doncaster
Lewin, J., Newcastle upon Tyne
Litton, C. E., Exmouth
Lockwood, P. M., Doncaster
Looseley, B. D., Brighton

Mackay, M. S., Broxbourne
Manning, W. E. G., Saltdean
Manzi, M. B., London
Marston-Weston, D., Taunton
Mascarenhas, V. S. G., Ilford
Moon, P. J., London
Moore, J., Keighley
Mulla, M. E., London

Nanton, G. S., London
Newton, E. T. A., London
Norris, A. T., Girton

Obey, A. W., London
O'Connor, M. J., Worthing
Odling, J. E., Boston
Ogwang, A. P., Leeds

Parker, S. W., Morden
Parkinson, H. J., Loughrea
Pascoe, W. R., Bridgend
Paxton, P. J., Cambridge
Penfold, B. T., Croydon
Peters, J. A., Brighton
Pidgeon, J. F. L., Wembley
Pilkington, A. G., St Helens
Place, M. J., Thetford
Pole, A. G., London
Probert, P. E., Wirral

Ritchie, W. H., London
Robson, B. A., Newcastle upon Tyne
Rupani, B. H., London

Sear, F. W., Cardiff
Sherlock, P. F., Stockport
Smith, K., Mansfield
Spong, J. F., Aylesford
Squires, J., Whitley Bay
Stichbury, W. J., Clacton-on-Sea
Stratton, L. A., Wickford
Sutcliffe, R. A., York
Sweeney, P. L., Waterford

Tooth, G. P., London
Tsomene, M. E. M., London

Wakefield, D. C., London
Walsh, B. O. S., Coulsdon
Warren, W. F., Purley
Woodburn, J. A., Clifton

348 Candidates failed

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FINAL EXAMINATION

SECTION II

First Place: Reynard, D., Leeds

Second Place: Pearce, Major T. H., B.F.P.O. 40 *Third Place:* Gregory, A. J., London

(in alphabetical order)

Adegbulugbe, F. A., London
Adesanmi, W. A., Leeds
Anderson, W. F., Aberdeen
Auger, G. A., Barnet
Austen, J. A., Leicester

Badnell, W. G., Maidenhead
Beadle, W. E., Halstead
Beech, C. H., Birmingham
Brace, F. G., Holmes Chapel
Braham, G., London
Bridger, J. H., London
Brown, R. D., Southampton
Bundey, I. O., Helsby
Burkhill, A., Sheffield
Burton, D. G., Cuffley

Carver, A. C., Northwood
Clemons, (Mrs), H. I., London
Cohen, B., Glasgow
Colvin, W. M., Lossiemouth
Cooper, J., Barnsley
Craig, D., Glasgow
Curtis, B. J. W., Gosport

Davies, J. B., Rochester
Davis, W., Hanworth
Doherty, J. G. M., Helen's Bay
Dunks, D. H. A., Rickmansworth
Dyer, L. M., Bristol

Eve, R. W., Rayleigh

Ferguson, J., Glasgow
Ferguson, J. P., Preston
Fowowe, A. B., London
Friend, H. P., Rochdale

Gibbs, A. M., (Miss), Isleworth
Green, M. W., Old Hill
Grew, C. M., Wednesbury
Grieshaber, D. J., Chichester
Griffin, S. A., Wirral
Griffiths, G., Halesowen

Hancock, D. M., Sutton
Hare, M. B., York
Harris, P. W., Arundel
Hart, E. F., Shoreham
Heshon, B. B., St Saviours, Guernsey, C.I.
Hipper, C. R., Norwich
Hoggard, K., Whitley Bay
Holmes, A., Leeds
Howell, K. B., Totnes
Hunt, R., Bath

Isaacs, J., Chester

Johnson, L. A., West Bromwich
Johnston, D. S., Mitcham
Johnston, H. J., Newtown Abbey
Jones, D. E., Billericay

Kelly, R. P., Alton
Kettle, J. R., Hayes

Lambert, D. A., Coventry
Leese, F. J., Chesham
Lowe, C., London

McEvoy, M., Whiston
McGarry, J., Glenrothes
McLauchlan, W., Girvan
Mackenzie, R. L., Petts Wood
Mallett, A. J., Tonbridge
Mateega, E. L. K., Leeds
Mercy, R. C., Braunstone
Mobley, S., Cheltenham

Nussbaum, M., London

O'Flynn, F. L., London
Okafor, B. O., Oxford
Omo-Ikerodah, A. A., Leeds
O'Sullivan, C. F., Merthyr Tydfil
Owen, D. H., Cardiff

Page, M. L., Maidenhead
Palmer, A. F., Newmarket
Peacock, P. E., Crawley
Polston, K. A., London

Reaston, D. R., York
Ridgway, C. I. D., Alvechurch
Robinson, E. E., Rotherham
Robinson, G. E., Birmingham
Ryland, D. J., London

Scott, J. R., Glasgow
Sharman, M. J., S. Croydon
Shaw, R. A., Blackpool
Sheeran, N. A., Dublin
Stimpson, J. M., Great Bookham

Taylor, G. A., Hornchurch
Thomson, S., Hamilton

Ubom, A. O., Leeds

Vyas, G. M., London

Walker, P. H., Walsall
Walker, W. T. J., Nuneaton
Ward, B. D., London
Ward, D., Castlebar
Whitman, G. E., London
Wilkinson, A., Northwich
Wilks, E., Taunton
Williams, L. H., Chester
Williams, M. D., Birmingham
Windsor, N. R., London

294 Candidates failed

INTERMEDIATE EXAMINATION

SECTION II

First Place: Brooks, W. G. F., South Ockendon *Second Place:* Turner, R. F., Hornchurch

(in alphabetical order)

Adigun, J. O., Stoke-on-Trent
Ahiabor, C. B. Y., London
Akindolire, C. O., Leeds
Akinmboni, Y. D., London
Akinwumiju, O., London
Akpan, E. U., London
Allison, R. J., Hoddesdon
Alton, M. B., Enfield
Anderson, K. W., Marfleet
Ashitey, J. A., London
Askew, T. B., Manchester
Azan, V. M., London

Baker, P., Hove
Ballantyne, R. R., Thundersley
Barbour, C. E., Cheshunt
Baxter, J. W., London
Bell, C. J., Liverpool
Bellamy, J. J., Chelmsford
Belo, M. A., London
Boachie, J. K., London
Bradbery, I. R., Fleet
Braicks, F. A., Nijmegen, Holland
Bridges, M. J., London
Brough, R., Oxford
Brown, W. P., Paisley
Busby, T. A., Enfield
Bushell, J. E., London

Captain, S. F., London
Carpenter, J. G., Crawley
Chanda, A. K., London
Charlesworth, D., Anglesey
Chenery, J. D., Bromley
Clifford, R. M., London
Collins, G. G., Sutton Coldfield
Craske, E., Norwich
Crossley, C., Rochdale

Dainty, J. S., Wolverhampton
David, G. K. G., Bath
Dawood Abdul Rahman, A. K., London
Delany, P. J., London
Dicks, S., London
Dight, G. T., Sidcup
Doshi, V. H., London

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Essex, P., Coventry

Famusudo, G. E. A., London
Farrugia, H. J. C., London
Fitzhugh, J. C., Liverpool
Fletcher, D. R., Colchester
Forster, A. W., Broxbourne
Fox, A. F., Rochester
Freeman, E. R., Egham
Fuchs, (Mrs), C., London

Gemal, B. A., London
Gilks, V. F., Bexleyheath
Gill, D. W., West Kirby
Glenn, R. M., Nottingham
Gompertz, H. I. P., Windsor
Goodall, B. W., London
Goodwin, B. W. T., Hornchurch
Grant, B. D., London
Grant, R. J., Portsmouth
Green, E. F., Erith
Groome, F. E., Watford

Haines, V. G., Hereford
Harpham, K. F., Scunthorpe
Hart, L. K., Romford
Haslam, R. A., Maidstone
Hasnudeen, E. B., London
Hawes, J. R. G., Rickmansworth
Henshaw, S. I., Leeds
Hern, R. J., Newbury
Hesse, F. E., Edinburgh
Hibberd, C. E., Southampton
Hill, J. A., London
Hope, C., Gt Shelford
Horsley, B. A., Coventry
Hughes, F. A., Birmingham

Ibrahim, M. A., Glasgow
Iloenyosi, J. N., London

Jameson, B., Gateshead
Jefferson, K. H., Warwick
Jobson, K. L., Maidenhead
Johnston, W. J., Newtown Abbey
Jones, T. H., Leamington Spa

Keith, R. I., Northallerton
Kenneally, J. P., Windsor
Kenyon, H., Southport
Knowles, J., Hyde

Langwith, R. C., London
Lau, R. K. H., Teddington
Laughlin, T. D., Edinburgh
Lawrence, B., Dover
Legrand, E. L., London
Lehane, J. C., Farnborough
Lux, D. L., London

McCabe, J. E., Knaresborough
McCarthy, T. R., London
McDonough, L., Dagenham
McKay, J. B., Edinburgh
McLaughlin, J. A., London
McRorie, W., Glasgow
MacGoey, P. J., London
Madu, A. U., London
Mallinson, P., Lancaster
Marsh, D. R., Rochdale
Martey, E. M., London
Martin, D. N. A., London
Martin, G. D., Newcastle upon Tyne
Maton, A. R., Norwich
Merriman, C. P., Cheltenham
Metcalf, K. J., Walsall
Milton, D. J., Hounslow
Minett, R., Mansfield Woodhouse
Minnock, D. J., Tullamore
Mohammed, A. M., London
Moore, B., Dunstable
Moorey, T. J., Rochester
Morakinyo, I., London
Morgan, R. L., Leicester
Mulligan, P. O., Castleblayney
Murphy, J. G., Dundalk
Mutimer, N. B., Burton-on-Trent

Naraine, H., London
Nazarali, L. H., London
Neaves, M. J., Solihull
Newbury, R. B., Feltham
Newell, M. J., Cirencester
Njie, J. G. J., London
Norburn, W. J., Sevenoaks
Norris, J. L., London
Nzomiwu, R. E., London

O'Flynn, J. E., London
Oji, C. A., Leeds
Okoye, F. N., London
Okusolubo, G. O., London
Olukanmi, O. O., Reading
Osekre, E. A., London
Owusu-Brown, E. O., Welling
Oyenuga, O., Portsmouth

Page, H. G. J., Tewkesbury
Palmer, J. K., Northampton
Payne, J. E., Leicester
Paxton, D. A., Coventry
Phillips, O. O., London
Plumb, R. L., London
Popple, W., Beverley
Puckett, T. C., London

Qadeer, A., London

Rahaman, K. K., London
Rash, R. S., Colchester
Rigby, K. B., Manchester
Room, J. R., Ruislip
Ruddick, M. G., Frome

Sarcohaki, R. G. A. M., London
Sheikh, K. M., Newbury
Sherriff, D. B., Oldham
Smith, B. E., Newcastle upon Tyne
Smith, D. C., Birmingham
Smith, W. P., Warrington
Somerville, J. H., Bath
Somji, A. I. J., London
Sowerby, T. R., Sedbergh
Springett, M. E., Wickford
Staines, S. M., Crawley Down
Sullivan, J. E., London
Sweeney, C. R., London

Talbot, P. J., Dublin
Tanner, M. C. S., Llanelly
Taylor, D. R., Dover
Teuma, A., London
Thompson, I. D., Norwich
Twum, S., Manchester

Ukah, D. C., Leeds
Urquhart, J. K. C., Glasgow

Wales, F. E., Cheam
Walker, D. P., Hamilton
Walker, W. A., Windermere
Wall, S. G. Rayleigh
Webber, P. N., Bishop's Stortford
Wetere-Dhaala, S. F. M., Newcastle upon Tyne
White, P. J., Aylesbury
Williams, B., Bristol
Williams, E. J., Southampton
Woodhouse, J. L., Hillingdon

297 Candidates failed

Summary of Results

Candidates	Preliminary	Intermediate Section I	Intermediate Section II	Final Section I	Final Section II	Total
Passed with Honours ..	—	2	2	4	3	11
Passed	29	340	188	112	100	769
Failed	68	573	297	348	294	1,580
Total sat	97	915	487	464	397	2,360

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THE
ACCOUNTANT
ESTABLISHED 1874
MARCH 17TH, 1962 VOL. CXLVI. NO. 4552

CONTENTS

	Page
Riddle of the Rates	313
Price Fixing in Industry *Contributed*	316
Taxation and the Professional Man – I *by D. S. Morpeth, B.Com., A.C.A.*	319
Weekly Notes Institute's New Council Member – The P. D. Leake Trust Accounts – Legacies of a Lost Bid – G.A.T.T. Tariff Changes – The Way Ahead – Standards for Stock Exchange Membership	324
This is My Life . . . by *An Industrious Accountant*	326
Current Law	327
Finance and Commerce	329
Correspondence The Scope of Management Accounting – The Training of Accountants – Appointment of Auditors: Procedure	333
Minimizing Office Paper Work	334
Taxation Cases Cenlon Finance Co Ltd *v.* Ellwood – Rolls-Royce Ltd *v.* Jeffery	336
The Institute of Chartered Accountants in England and Wales Special and Ordinary Meetings of the Council	337
Findings and Decisions of the Disciplinary Committee	339
Members' Library	339
Diamond Jubilee Dinner of the Nottingham Society of Chartered Accountants	340
Responsibilities of the Professional Man Birmingham Chartered Accountants' Annual Dinner	341
Notes and Notices	342

Riddle of the Rates

THE recent flurry of public interest in the local rate arises from a combination of two developments. The first is the succession of increases in rate poundages proposed by local authorities throughout the country. The effect of such increases will be to raise the average rate charge borne by householders, commercial and industrial ratepayers by nearly 10 per cent; in a few cases the prospective increase is nearly double that figure. Superimposed upon these widely publicized additional charges is the speculation over the consequences for the domestic householder of the revaluation which will take effect from April 1st, 1963.

Last week's statement in the House of Commons by THE MINISTER OF HOUSING AND LOCAL GOVERNMENT seems to have allayed, temporarily at least, the householder's concern about the revaluation. Optimism as to the future rate burden, however, may in our view prove to be premature. Meanwhile, the nature of the problem should be clearly understood.

Rateable value in England and Wales on April 1st, 1961, totalled £720 million, so that with an average rate poundage for the country as a whole of 20*s* 9*d*, the total revenue raised from rates in 1961–62 is estimated at about £730 million. Table I on the next page shows the distribution of rateable value for a number of years, the first column showing the distribution before the last revaluation in 1956 and the other columns for a number of years since. The effect of the 1956 valuation is immediately apparent. While the aggregate rateable values for each class of hereditament increased, e.g. domestic property from £219 million to £308 million, the relative share of that particular class in the total rateable value declined from 59·8 to under 50 per cent. At the same time, owing to the larger rate poundage available to local authorities, their needs could be met by a rate poundage in the first year of the revaluation (1956–57) of only 15*s* 8*d* compared with the previous year's figure of 22*s* 10*d*. The effect of these changes was to leave the domestic ratepayers, *as a class*, contributing almost no more in actual rates paid than before the 1956 revaluation. The increases were felt in the main by shops and commercial properties, and to a lesser extent by industry.

The reason for this happy outcome of the 1956 revaluation, for the domestic ratepayer, was the basis adopted for valuing domestic property as opposed to commercial and industrial hereditaments. Whereas the latter were valued on the basis of their current 1956 rentals, domestic property was valued on the basis of the 1939 rentals. The reasons for this discrimination were, of course, political; just as was the reason for the

delay in making the first post-war revaluation.

When at the end of 1960 the then Minister of Housing and Local Government, MR HENRY BROOKE, decided to legislate for the next revaluation in April 1963, he announced that all rateable values would then be based upon 1963 rentals. In the case of houses which were still rent-controlled, the market rental would be assumed by reference to comparable non-controlled properties. Clearly, since by 1963 domestic rentals would be twenty-four years out of date, quite apart from the depreciation of the currency that had taken place in the intervening period, and since commercial and industrial hereditaments would be valued on rentals only seven years out of date, it was a reasonable assumption that some redistribution of rateable value between the main classes of hereditament as set out in Table I would take place.

There can be no doubt that this was the expectation of MR HENRY BROOKE when he was piloting the Rating and Valuation Bill through Parliament. He referred to the fact that domestic ratepayers could least stand a 'severe upward jolt' in their rates and for that reason section 2 of the Act endowed him with powers to vary, at his discretion, the increased valuation for householders in any area where he considered the increase was excessive. This was the background to a variety of estimates made by people inside and outside local government circles which, like the recent much publicized estimates prepared by MR A. R. ILERSIC, B.COM., M.SC.(ECON.), all came to much the same conclusion: i.e. domestic ratepayers as a class would pay substantially more rates than in recent years.

When, therefore, DR CHARLES HILL announced in the House on March 6th that the share of the domestic ratepayer in the total rate burden would not rise in consequence of the revaluation, there was considerable surprise. *The Times* in a leading article suggested that 'presumably no one is more surprised . . . than his predecessor in that department, MR BROOKE'. The MINISTER admitted that there would be considerable variation in the charges in different parts of the country, to meet which situation his discretionary powers of abatement had been provided.

An important factor in mitigating the prospective burden for the domestic ratepayer is the new and increased statutory repairs allowance, which presumably will lower the gross values to the net figure proportionately more than at present. Furthermore, there could be substantial changes in the distribution of central aid through the rate deficiency grants. The latter is a form of general grant paid to those authorities whose rateable value per head of the resident population falls below the national average; the latter figure being taken as a measure of the financial resources of the local authority. In a paper read to the annual conference of the Rating and Valuation Association last September, MR ILERSIC drew attention to both these possibilities, arguing, as MR BROOKE had implied earlier, that increased statutory allowances could not prevent the need for a measure of abatement.

Changes in the rate deficiency grants will, however, produce repercussions among the affected local authorities. Since there seems little prospect that the total of such grant aid will be increased, this means that there will probably be some redistribution between local authorities of the total amount of central grants. The use of the

TABLE I

Class of hereditament	1955[1]		1956–7[2]		1957–8		1959–60		1961–62	
	£m.	%	£m.	%	£m.	%	£m.	%	£m.	%
Domestic	219	59·8	308	49·4	315	48·4	327	47·6	341	47·4
Industrial and freight transport	16	4·4	41	6·5	41	6·3	80	11·6	83	11·5
Shops	39	10·7	89	14·3	89	13·6	75	10·7	77	10·7
Commercial	78	21·0	170	27·3	87	13·3	73	10·6	81	11·3
Miscellaneous					86	13·2	103	15·0	105	14·6
Crown	15	4·1	15	2·5	34	5·2	30	4·4	31	4·3
Totals[3]	367	100·0	623	100·0	652	100·0	688	100·0	720	100·0

[1] Cmd. 9718. [2] This and later years from Cmnd. 1258. [3] Totals may not agree exactly due to rounding.

discretionary powers of abatement will be restricted to particular areas where domestic valuations have risen more than elsewhere. The implications of these powers are more serious. Where the Minister abates the domestic ratepayers' share, this must entail shifting the charge on to the commercial and industrial ratepayers in that area. Such discrimination could cause considerable concern among the affected groups, although the extent to which the MINISTER will have to exercise his powers of abatement will not be known until publication of the White Paper he has promised. His carefully phrased statement to the House has left some members unconvinced.

However welcome the MINISTER's reassurance to householders may be, it would be unwise to assume that substantial rate increases will be avoided. The basic problem of local authority finance is the ever-increasing cost of the quasi-national services which are administered by local authorities on behalf of the central government. Over the past five years, rate financed expenditure has been rising at about 9 per cent per annum. If we take 1960–61 as the base, when rate income for England and Wales was £675 million, an annual growth of only 5 per cent would by the end of the quinquennium have increased the rate charge to £858 million. If the annual increment remains at 9 per cent over the same period the total expenditure to be met from rates in 1965–66 will be £1,050 million. To the extent that new building of offices, factories and houses, increases the total of rateable value from which this rate revenue can be raised, the increase in rate poundages will be less than proportionate. Too much hope should not be attached to this aspect, however. Even with substantial building, in 1956–57 the average rate in the £ levied was 15*s* 8*d*, only five years later in 1961–62 the comparable figure is 20*s* 9*d*. Table II below indicates the recent trend.

As a result of the greater total rateable value after April 1963, local authorities will be able to reduce substantially the rate poundages. It would be the height of optimism, however, to believe that a trebling of existing rateable value would be matched by a reduction in rate poundages to one-third of the current figure. Furthermore, the public will tend to overlook the fact that when such reduction in poundages has been made, an increase of 4*d* in any year is equivalent to 1*s* at the present time on the basis of the current rateable values. Nevertheless, it will come as a shock to most domestic ratepayers to be told that they are paying a smaller proportion of their personal incomes in rates today than they did in 1938. In fact, to bring the proportion up to its pre-war level would require a 50 per cent increase.

TABLE II

Year	Rateable Value £ million	Rate Poundage	Rate Revenues £ million	Government Grants £ million
1943–44	317	13*s* 9*d*	204	233
1953–54	347	22*s* 2*d*	377	434
1956–57	623	15*s* 8*d*	495	578
1959–60	688	19*s* 0*d*	650	723
1961–62	720	20*s* 9*d*	728	*

* Not available.

One of the troubles of the present system is that the impact upon the householder of the annual rate demand is exacerbated by the widely adopted half-yearly system of payment. For many householders who pay the demand half-yearly, this must represent the largest single tax payment made, and some system of P.A.Y.E. collection would be helpful.

To the extent that earlier expectations regarding the re-distribution of rateable value consequent upon the 1963 revaluation will not be fulfilled, industry – not least because it loses its 50 per cent de-rating, while commercial properties generally lose the 20 per cent relief granted in 1957 – will find the rate burden larger than expected. Furthermore, to the extent that the MINISTER uses his powers of abatement in particular rating areas, the burden on industry will be increased still more.

The key to the pace at which rate demands will rise in the next quinquennium is to be found in the willingness of the central government to continue increasing its grants in aid to local authorities. In the past decade such grants have risen from nearly 8 to 11 per cent of the growing Budget revenues and it is common knowledge that the CHANCELLOR would like to see the local authorities meet a larger part of their outlays from their own resources. At present, the sum of grants in aid is greater than the total rate revenue; if there were to be any revision of the grant structure, more especially a reduction in the proportion of total cost met by Whitehall, the impact upon the local rates could be

severe. Following the reduction of the de-rating of industry from 75 to 50 per cent, Whitehall adjusted the grants so that about two-thirds of the potential increase in rate revenue was diverted back to the Treasury. In fact, in the present circumstances this is likely to be a very gradual and almost imperceptible process.

As with the mounting expenditure of the central government, so the continuous increase in rate poundages provokes an intermittent public demand for economy. In most local authorities no doubt there is scope for economy in administration as well as in the standard of the services provided. On the first point, however, it can be asserted that the same is true of any large-scale organization, hence the prospect of savings in this respect is not likely to be significant. More substantial savings could be achieved by giving local authorities a greater degree of freedom in determining the minimum standard of service they provide in connection with the national services, e.g. education, police and fire, but it is debatable whether it is in the public interest that quasi-national services should be provided on a scale determined solely by local councils.

There is no doubt considerable truth in the assertion that the average ratepayer gets good value for his money in terms of the vital services the local authority administers. Even if the efficiency of the administration is sometimes questioned, it is unlikely that the same services could be provided by some alternative administrative body any more cheaply. For example, it has been suggested that education should become the full responsibility of the central government and removed from local control. Other considerations apart, the central government would have then to create an administrative body on a regional basis and the resultant net saving to the community of taxpayers and ratepayers as a whole would surely be negligible.

The rating problem, it should never be forgotten, is not merely a fiscal or economic issue. It is a political issue concerning the devolution of certain functions of central government among a multitude of lessor authorities. As long as these functions are delegated to the existing structure of local government and their cost only partially met from central funds, the need for a source of independent income for local government remains. The rate has its defects and weaknesses but nobody has yet suggested a better alternative, or even a supplementary source worth tapping. In short, it is not so much the local rate that needs examination, as the system of local government. The one goes with the other.

Price Fixing in Industry

CONTRIBUTED

MOST major industries have powerful trade associations which have been able until recently to control and fix price levels for the industry in connection with the supply and retailing of its goods and services. Quite frequently these prices were fixed at such a level as to enable even the least efficient producer to supply his goods at a profit, and to prevent any excessive price competition. Manufacturers who were members of the association and who contravened its policy by price cutting, or by breaching the conditions on which all goods were to be sold, were liable to be called before a private 'trade court' and fined, or put on a stop list, when no one would deal with them. The depression of the early thirties encouraged these trade associations to sponsor restrictive agreements as a protection against falling prices and intensive price-cutting.

In 1955, however, in response to a reference by the Board of Trade, the Monopolies Commission produced their report on collective discrimination, in which many of the abuses of unfair trading practices and stop lists were brought to light and criticized. Subsequently section 24 of the Restrictive Trade Practices Act of 1956 made illegal any agreement between manufacturers or suppliers to take collective enforcement action against any dealer who resold goods in breach of any condition as to price. In other words, trade boycotts against dealers who cut prices were prohibited.

Has the Act Succeeded?

The Act also provided for the registration of agreements between the manufacturers which contained restrictions on the matter of price,

conditions of sale, and the quantities of goods to be sold. It is this type of agreement which is referred to the Restrictive Practices Court for scrutiny, and of the 2,350 agreements which had been placed on the register by June 1961, over half of these have been either abandoned or varied to the satisfaction of the Registrar.

The Restrictive Practices Court has been functioning for several years now, and the President of the Board of Trade has recently instituted an inquiry into the adequacy of the 1956 Act, and the working of the Court. One of the main questions which must be asked is whether and to what extent the Act has succeeded in its object of outlawing price-fixing agreements and allowing the economics of free competition to be asserted.

Keen Price Competition

Some pointers to the answer are provided in the recently published report of the Registrar of Restrictive Trade Practices, for the period January 1960 to June 1961 (Cmnd. 1603). In some industries, says the Registrar, the ending of price fixing or other restrictive agreements have brought keen competition in price, and stimulus has been given to more economic production by keener buying of materials and parts needed by the industry. In the past year or two there have been price wars in the cable and non-ferrous metal industries, and reductions in the price of some refrigerators, motor-cars and electrical appliances, but it is not clear to what extent these price changes have been brought about by the ending of restrictive agreements rather than other economic considerations.

The overall impression has been, however, that price levels have failed to respond to the abrogation of price-fixing agreements, and one is entitled to ask why. There seem to be three main reasons for the present situation: (*a*) inertia and the fear of a disastrous price war in an industry; (*b*) price leadership practices; and (*c*) the use of 'information' agreements.

The effect of forces of inertia are particularly noticeable in stable or slowly expanding industries. Where for many years there may have been uniformity of prices and practice, the sudden ending of a restrictive agreement does not necessarily mean that unfettered competition will break loose. Old-established firms with long connections or a recognized corner in a particular class of goods may be reluctant to disturb the equilibrium of the market. Boards of management where, perhaps, the majority of directors are ageing and conservative in outlook, may have no desire to plunge into new competitive fields which might appear as a challenge to younger and more vigorous executives. Any particular manufacturer may be afraid to depart from the existing price structure for fear that cut-throat competition may immediately follow from others.

Even when changes in price become inevitable, although the old price agreement may be just a memory, it may unconsciously lead the manufacturers to a common approach. The use of particular formulae related to material, production or wage costs may result in a new price being uniformly reached by all the manufacturers through independent decisions.

The inertia of the market may affect distributors as well as manufacturers. The distributor is probably more concerned with uniformity and stability of prices rather than the actual level of the prices themselves, and any increase in price is simply passed on to the customer. Price fluctuations merely mean administrative inconvenience for the distributor, involving recalculation of profit margins and the circulation of the new prices to all customers, and possibly loss of profit on current stocks purchased at the old price.

The result is that the only real stimulus to a revival of price competition comes from the buyers themselves, and indeed only from those whose share in the market is sufficiently large to impress the manufacturers with the importance of keeping their order. Market inertia may again play a part here, for price competition infers willingness to buy from other manufacturers at a lower price, and many retailers have a long-standing trading friendship with their suppliers which they would be reluctant to disturb for a minimal price advantage which might prove to be short lived.

Subject for Study

The comparative failure of the abrogation of price agreements to overcome market inertia and promote price competition between manufacturers seems to be a subject worthy of more prolonged study by economists.

Another way in which an industry can nullify the effect of the ending of a price-fixing agreement is by adopting the practice of price leadership. In this case, the largest manufacturer in the industry sets his own prices, but at a level which will allow smaller and less efficient firms also to make a profit. The smaller firms then set their

prices in accordance with his, and this is not illegal provided that there is no agreement to do so. This practice may be adopted with considerable ease in an industry where a price-fixing agreement has previously been operated through a trade association dominated by one particularly large manufacturer who will obviously and readily take over the role of price leader.

Problem of Information Agreements

But the biggest problem for the Registrar in future is likely to be the growing use of the information agreement. Under this type of agreement, known in the United States where it originated as an 'open price agreement', the members of a trade association send their price lists and other information to a central agency. This information is distributed by circular to all the members of the association and it may give details of the prices at which recent contracts have been obtained, the persons or classes of purchaser to whom the goods have been sold, the discounts that are allowed and the class of purchaser entitled to receive them, as well as any other important terms or conditions attached to the sale of the goods.

So long as the obligations in the information agreement are merely to send information regarding prices, they do not require to be registered with the Registrar under the 1956 Act. But, in fact, there are already about thirty such agreements on the register and the Registrar is officially aware of their existence and contents. This has come about because a number of agreements which contained restrictions which the Registrar considered objectionable were subsequently amended by deleting those restrictions and substituting an information agreement.

There are probably a good deal more than the thirty known information agreements in existence. The Registrar may learn informally of others, either by second-hand report, by close scrutiny of trade journals, or by intelligent guess-work.

Legality not yet Tested

It is important to realize that the Restrictive Practices Court has not yet been called upon in any case to determine the legality of an information agreement. The dividing line between a simple exchange of price information, and an agreement to follow only the prices quoted in the circular, is a very narrow one.

In the United States, where open-price agreements have been familiar features for over fifty years, the main issue in determining the legality of an agreement under anti-trust law is whether it restricts competition or not. In an industry where a price agreement has formerly operated for a long time, an information agreement might well hinder competition, and the operation of an information agreement could provide the framework upon which understandings about prices and allocation of contracts could arise. For example, members operating an information agreement might find it necessary to have frequent meetings to discuss market conditions and these meetings could provide an excellent forum for them to come to an 'understanding' about making equal tenders for forthcoming contracts.

Other factors which may determine whether an information agreement is bona fide or is merely a cloak to conceal a price-fixing arrangement, are the frequency with which the information is circulated, whether the information circulated merely quotes the prices at which business has been done or whether the buyers and sellers are themselves identified, and whether the information is available to anyone other than the parties directly concerned.

Should the Act be Amended?

It seems probable that many information agreements are already operating in the United Kingdom and that such agreements are a major factor in keeping prices up after the Restrictive Practices Court has declared invalid a restrictive agreement in the industry concerned. If that is so it seems essential that, as a preliminary step, all such information agreements should fall to be registered under the Act. This is not the case at present but could be achieved quite simply by amending section 6 of the Act to include information agreements among the agreements which are registerable. It would then follow that certain criteria would have to be laid down for determining whether the agreement was contrary to the public interest. Prima facie, an information agreement should be deemed contrary to the public interest if its operation tended to lead to restraint on price competition or tended to provide a basis upon which an unwritten understanding about prices could be reached.

These are matters for reform of the law which might perhaps be considered by the President of the Board of Trade during the course of his inquiry into the working of the 1956 Act. If reforms of this type are not carried out, it seems clear that decisions of the Restrictive Practices Court will continue to have little or no effect on price levels.

Taxation and the Professional Man – I

by D. S. MORPETH, B.Com., A.C.A.

Definition of 'Profession'

WHAT is a profession? To find the answer to this question, I turned first of all to the *Oxford Dictionary* and found the following:

'(1) The occupation which one professes to be skilled in and to follow; *or*

(2) Any calling or occupation by which a person habitually earns his living'.

These being rather vague and general, I was prompted to look at the definition of 'trade' in the same dictionary and found this:

> 'The practice of some occupation, business or profession habitually carried on especially when practised as a means of livelihood.'

A comparison of these definitions, as you can gather, rather takes us down a peg or two. Some time ago, however, I found in an American book a definition which I think we can safely adopt and still retain some of our professional ego. This is as follows:

> 'The occupation hierarchy progresses by slow steps from the completely unskilled labourer to the specialist who has spent a considerable part of his life preparing for his work. Each step merges into the next and overlaps it. Somewhere towards the upper end of the hierarchy is a group of occupations that we designate professional. These require prolonged and specialized training, and involve work that has something of an academic and intellectual flavour.'

It is interesting to see how the Courts from time to time have attempted to define a profession, but to dwell on further quotations would, I feel, be rather monotonous. There have been, however, a number of cases decided in the Courts dealing with what, for tax purposes, is assessable as a profession, as a result of which, the activities carried on by the following have been held to be professional activities: architects, accountants, lawyers, journalists, the headmaster of a preparatory school, patent agents, quantity surveyors, opticians, jockeys, average adjustors, chartered secretaries, consulting engineers, fire assessors, the owner of a nursing home and a private hospital, which provided medical or nursing facilities. A bookmaker has been held to be carrying on a vocation.

It should be noted that the activities carried on in these cases were carried on as a full-time occupation and not as an employment as we look on that term today. Membership of a professional body is not conclusive evidence that a person is carrying on a profession, since his activities might not be within the scope of the organization of which he is a member.

You can appreciate, I hope, how wide a subject I have been given in preparing this paper, if I am to include in it something of the problems of all those mentioned. It took me some months before I could decide what and whose problems to discuss, during which time I began to feel more and more like Aesop's ass, which starved to death through its inability to make a simple choice between two morsels of equal succulence and distance away. At last it dawned upon me that I would be addressing not jockeys, average adjustors or private hospitals, but mainly practitioners in the tax field, and of course, after that a decision was easy. My professional man for the purposes of this paper, therefore, will be an accountant or lawyer in professional practice.

I have, as you can see, ended with rather a narrow definition. Not only have I cut out many legally defined professionals in practice, but also all those who are engaged in professional activities through employments. However, despite my limited definition of a professional man, I have still left myself more than I can possibly deal with in the scope of a comparatively short paper, and I hope, therefore, that I shall be forgiven if I omit reference to many possible subjects.

Tax Implications of Professional Practice

As professional men of my definition, one of the aspects of our practice is to deal with the tax problems of our clients. These problems seem to become each

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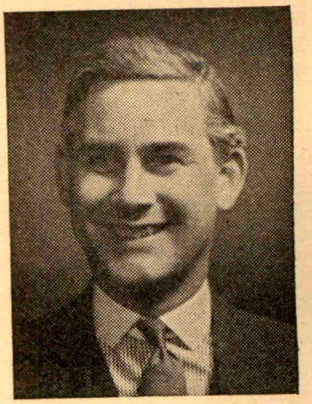

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year more complicated, and to take up more and more of our time. Our clients are learning rapidly to take no step without first discussing the tax implications. How many of us do the same with our own problems and our own practices? How far can we, or should we, plan for minimum tax liabilities and indulge in ingenious schemes of avoidance? No paper on my subject would be complete without some reference to this thorny problem, and yet it would be a bold man indeed who would attempt to draw a line. On the one hand, we have judicial guidance in the words of Lord Tomlinson in *C.I.R. v. Westminster*:

> 'Every man is entitled if he can to order his affairs, so that the tax attaching under the appropriate Acts is less than it otherwise would be . . .'

but on the other, we have public opinion and Government opinion heavily against the 'dividend stripper', even if he is only a trading company using the accumulated *taxed* profits of a newly-acquired company to obtain relief for a current trading loss.

Tax rates on the individual since the war have been so high as to amount at the top of the scale almost to confiscation. Tax is being used as a weapon of politics, rather than in its proper function, which is to provide for the cost of administering the country. The tenets of Adam Smith have gone overboard with the result that many people feel justified in increasing their net income by any possible means.

The word 'avoidance' in the Courts has come to mean a legal means, and 'evasion' an illegal means, of reducing tax liabilities: but, if we look again at the *Oxford Dictionary* we will find 'avoidance' defined as the 'action of avoiding something unwelcome' and 'to avoid' as 'to evade'. 'To evade' is similarly defined as 'to avoid', which left me confused; but 'evasion', however, is defined as 'avoidance by artifice or prevarication' and so we can safely, I feel, sum up as evasion, rather than 'avoiding something unwelcome', the actions of the man who wrote:

> She was Betty when in Brighton,
> Priscilla across in Poole,
> Belinda when in Bournemouth
> (A girl you cannot fool),
> She was Cathy when in Cambridge
> (The best of all the bunch),
> But on my P.11D,
> She was 'petrol, oil and lunch'.

As tax advisers, we are not tax gatherers. Our job is to see fair play between the demands of the Revenue who are well acquainted with the law and the taxpayer who is not, and to ensure that our client does not pay more than the law says he must pay. Our actions to ensure this cannot be called more than avoidance, providing that they do not depend for their success on non-disclosure of any of the relevant facts. How far in this respect we can go must, I feel, depend on the individual conscience, but if you will recall my American definition of a profession, you will remember that the word embraced a group of occupations at the upper end of the hierarchy. As such, therefore, I feel it is our duty to set an example and to demonstrate that we give evasion of any sort a wide berth.

Can a company carry on a profession? The answer to this question is somewhat vague. It has been held for the special circumstances of the excess profits duty that a company cannot do so on the grounds that it cannot have personal qualifications. In general, most professional bodies discourage their members, if not actively prohibit them, from carrying out their professional activities through the medium of a company, whether of limited or unlimited liability. It is normally possible, however, under some conditions and restrictions to carry on certain activities, including the provision of office and administrative services, through a company. I shall refer to service companies later, but in the main our professional activities are carried on by ourselves as individuals or as members of a partnership rather than through a corporate body. I do not believe, however, that we suffer unduly because of this.

A company would be taxed on its profits at a fixed rate of 53·75 per cent on profits over £12,000, with some reduction for profits less than that, until at £2,000 the exemption limit for profits tax, the rate would become 38·75 per cent. As, however, such a company would almost invariably be within the scope of section 245 of the 1952 Act, distributions by way of dividend must normally be made to shareholders to avoid a surtax direction of the whole of the net profit. Such distributions would be included at the gross equivalent in the total income of the recipient for surtax purposes, unless, of course, such recipients were trustees of a valid discretionary trust.

A partner in a partnership or an individual in sole practice, on the other hand, is subject to both income tax and surtax at progressive rates on the whole of his taxable share of profit each year. Since the surtax rates rise to 10*s* in the £, it would seem at first sight as if a company might be the better bet, even at fairly low income levels such as £4,000 to £5,000. However, the increase in the earned income relief given in the 1957 Finance Act and the application of this, plus the earnings allowance, to surtax in the 1961 Act have altered the position considerably. A partner's share of profits would have to be over £10,000 before there would be any tax advantage from carrying on the profession through a corporate body. Even at £11,000 the saving would be marginal on the figures which I have worked out. When we also take account of the other marginal factors, such as the stricter expenses rule for directors of companies, the possible complications under section 28, Finance Act, 1960, when a partner tries to extract his savings out of the company, and the fact that no possible advantage can be taken

as a company from fluctuating profits on a partnership change, we must agree that we have little to grumble at so far as taxation on income is concerned.

Assessment of Profits

The profits of a professional practice are assessed to income tax under Case II of Schedule D the basis of assessment normally being the profits of the accounting period ending within the preceding fiscal year. The assessment is made on the partnership, but the liability is computed by reference to the allowances and reliefs of the individual partners and is apportioned amongst them accordingly. Tax payable is levied in two instalments, on January 1st and July 1st. Surtax, although a deferred instalment of income, is assessed not on the partnership but directly on the individual partners. This basis of assessment gives rise to a considerable number of problems, particularly when coupled with the fact that for tax purposes, the assessable profit of the fiscal year is divided amongst the partners in the proportion in which profits are shared during that year, which may not necessarily be in the proportion in which the base year profits were shared. This can, of course, give rise to inequities between partners in relation to fluctuating profits, unless provision is made to counteract them:

(*a*) when new partners are introduced;
(*b*) when old partners retire;
(*c*) when profit-sharing ratios are changed.

Because of the high rates of taxation on individuals, it is unusual to find in partnership accounts a provision for tax on profits up to date, as is now the accepted custom for companies. It is recognized by most partnerships that some provision should be made, not only to ensure that junior partners do not get into difficulties, but also to provide some additional working capital. The extent to which provision is made varies considerably, but a common method is to provide for tax on the so-called legal basis. Thus a firm whose year end is December 31st, 1961, would provide out of these profits, income tax on one-quarter of the 1960–61 liability and three-quarters of the 1961–62. Since these assessments are based on the 1959 and 1960 profits, no provision is made for tax on one-quarter of the 1960 profits or any of the 1961 profits. A variation of this is to provide for all liabilities up to 1961–62 leaving only tax on the 1961 profits not provided for. Some firms in calculating the provisions do not take account of the allowances and reliefs of the partners until the assessments are actually agreed and paid.

A new partner coming into a firm, say, on January 1st, 1962, will immediately be liable to his proportion from that date of the 1961–62 liability and will, out of his 1962 share, have in addition to provide tax on three-quarters of the 1962–63 liabilities, or if the second alternative is adopted, the whole of the 1962–63 liability. If 1962 is not such a good profit year as 1960 or 1961, he is immediately suffering some disadvantage. Similarly, where junior partners are given a higher share of profits at the start of a bad year, they are saddled with their increased share of tax on the previous year's high profits, which must be provided for out of the current lower profits.

Retiring partners who retire at the end of a record year, receive their share of the profits subject only to tax liabilities on much lower profits.

Some legal remedy is available to counteract inequities on changes of partnership, in that where there has been a change, the Finance Act, 1953, states that the profession shall be treated as having permanently ceased, and a new profession as set up and commenced at the date of change. The old partners are assessed to the date of change on a cessation basis, and the new partners on the new business basis. The old partners are thus assessed on the actual profits of the fiscal year to the date of change, and the Revenue have the right, if it is to their advantage, to assess the actual profits of the penultimate year in lieu of the existing assessments. One year's profits usually fall out of assessment altogether.

Losses belong to the partners individually, so that on the retirement of a partner, his loss is not available to the other partners. He is entitled to make, however, providing there is no election as described below, a terminal loss claim for the three preceding years, even if those years include a period before a previous discontinuance. The continuing partners cannot make such a claim because they can carry forward their share of losses to the extent that they have not been used against other income under section 341, Income Tax Act, 1952.

Cessation *v.* Continuation Basis

Where one partner, at least, of the old partnership is continuing in the new partnership, an election is available to all the partners to have the profession treated as if it had not been discontinued. An election thus avoids the cessation adjustments on the old partners and new business treatment on the new. Such election, however, has to be signed by all the partners or their executors, both before and after the change, and be made within twelve months of the change. There is usually, therefore, some activity before the twelve months are up, to calculate whether a cessation or continuation would be best. A good deal depends on the relationship between the year's profits which would fall out of assessment on cessation, and the first year's profits of the new partnership which may be assessed twice. There is often considerable scope for timing the partnership change to achieve the best tax treatment.

The accounting date also plays its part, but to decide on whether an election should be made depends on many facts, and the question should be carefully examined in the light of the individual circumstances.

Such an election, although it acts to the benefit of the partnership as a whole, may not be to the advantage of a retiring or incoming partner, and should such an individual or his executor refuse to sign the election, it will be ineffective. It is advisable, therefore, to have a clause in the partnership agreement requiring all partners, retired or not, to sign an election under section 19 (5), Finance Act, 1953, if requested by a majority of the continuing partners. In such a case it would seem fair also to include a clause allowing for equitable adjustment of any tax disadvantage arising from the signature of such an election.

Other circumstances might give rise to the necessity for equitable adjustment, such as:

(*a*) Where in a year of low profits a senior partner is prepared to accept a loss, so that his junior partners receive a larger income. For tax purposes of course, that loss is set off against the profits of the junior partners to leave the actual net profit assessable. The senior partner thus has suffered a gross loss in his current account, while the junior partners are paying tax on much less than they have actually received.

(*b*) Where a partner retires at a time when a loss has been made, for which he would not get relief in any way, that loss cannot, as I have said, be carried forward. It may be possible, however, to change the profit-sharing ratios, so that the continuing partners receive the bulk of this loss and obtain relief for it.

To adjust profit-sharing ratios from year to year, it is necessary to have provision in the agreement permitting such alteration. Such a clause might read:

> 'The partners shall share profits each year as they agree amongst themselves, but failing agreement in the following proportions.'

Such a clause can, of course, present difficulties in cases where profit-sharing is intended to be in proportion to capital introduced.

Computing Assessable Profits

So far I have been talking about the assessment of profits. The next step is to discuss how the assessable profits are arrived at. I am sure you do not need me to discuss what expenses are deductible in arriving at the profit of a partnership or sole practitioner – particularly regarding sums for the use of home telephones, accommodation at home for use as an office, and the employment of one's wife as secretary – points in which you are as versed as I, if not more so. There are, however, one or two fundamental problems which I would like to discuss.

The *earnings basis* is widely used in arriving at the profits of a professional practice. This involves the bringing into profit of all bills received, debtors, a valuation of work in progress, and provision being made for accrued expenses. In contrast to this is the *cash basis*, which brings to profit cash received and deducts cash paid during the year (on income account, of course). Debtors are not brought in and no valuation is made of work in progress. In between are various compromises.

Earnings basis

The earnings basis is more complicated than the cash basis, in that it involves an evaluation each year of debtors and work in progress. It also suffers from the disadvantage that it results in the payment of tax, or the making of a provision for tax, on profits which have not been received in cash and so perhaps not available for distribution to partners. In a time of expansion of the practice, this can lead to accentuation of the problem of shortage of working capital, and in many cases complicated sums have to be done each year to determine what restriction is to be put on partners' drawings.

The valuation of professional work in progress is not without its complications, particularly after the *Duple Motor Bodies* case (40 A.T.C. 21). Work in progress can either be valued at nil as in the cash basis, or at the lower of cost or market value. This latter is a long-established principle which leaves only for argument the meaning of cost and the meaning of market value.

What is cost has long been a thorny problem. So far as professional practice is concerned, the ingredients may comprise the basic salary cost including national insurance, lunch voucher scheme, and pension fund contributions, plus an addition for overheads. The *Duple* case has shown us that the Revenue cannot insist on the addition of overheads where it has not been the practice in the past, nor can they insist, it is thought, in the case of a new firm or company. In addition to this, partners' time cannot be said to have cost anything, and I believe that the Revenue would not succeed in a claim that a value should be placed on partners' time. Where a firm has been in the habit of valuing work in progress including a value both for overheads and partners' time, and a change in the partnership occurs, the new firm could succeed in my opinion in establishing a value for tax purposes excluding these elements.

What I have said so far, of course, depends upon the maintenance of adequate time records. Where these are not kept, any value placed on work in progress must be an estimate.

The meaning of 'market value' has caused considerable arguments in the past, and The Institute of Chartered Accountants in England and Wales has substituted the terms 'net realizable value' and 'replacement price'. This latter, of course, has little meaning to a professional office, but in isolated circumstances the former may unfortunately have to be considered. Where the net realizable value has to

be calculated, a deduction should be made for the salary costs of staff yet to be incurred, plus an element for the overheads to be incurred.

Cash basis

The cash basis can be much simpler to operate and has the advantage that the cash accounts can be drawn up very rapidly after the end of the accounting year, enabling partners to draw their balance of profits quickly.

In periods of expansion, tax is only payable on the cash received from clients less, of course, expenses paid, so that the problem of the supply of capital is not aggravated. It has, however, the disadvantage that the cash profit and loss account may not necessarily give the true picture of the level of activity in the firm since the cash profit might well rise in a year of lower activity than the previous year and fall if the activity rises again the following year.

Whereas a firm assessed on the earnings basis might well be required to keep memorandum accounts on the cash basis to arrive at the permissible drawings of the partners, a firm assessed on the cash basis might well wish to keep memorandum accounts on the earnings basis, where this is possible, in order to give the right picture of the firm's level of activity.

I say 'memorandum accounts' because the Revenue would not accept accounts for tax purposes which were not used as the basis for profit-sharing amongst the partners.

The cash basis is carefully preserved by those firms assessed on it, and in particular it is thought essential always to make an election for continuance on a change in partners. Some of the normal flexibility of partnerships is, of course, thereby lost.

Effect of Failure to Elect for Continuation Basis

It would be interesting to trace what would happen if such a firm failed to elect for continuance on a partnership change.

Old firm

Firstly, in respect of the old firm, the Revenue appear to have the right to assess the closing years on the earnings basis as a result of the decision in *C.I.R. v. Rankine* (31 A.T.C. 20; 32 T.C. 520). This case, however, limited their right to assessments which had not finally been determined. An assessment on the earnings basis would require a valuation of debtors and work in progress both at the commencement of the open years as well as at the date of cessation. It is simple arithmetic, therefore, to realize that there would be no advantage to the Revenue, subject of course to changing tax rates, to apply the earnings basis where the closing valuations were the same as or lower than the opening valuations.

If cessation takes place, therefore, and the earnings basis is not applied, are the receipts after the date of cessation taxable? To find the answer to this we must turn to the Finance Act, 1960. Section 34 of this Act deals with a profession which is treated under section 19, Finance Act, 1953, as permanently discontinued after a change, and says that sections 32 and 33 shall apply, unless the right to receive any sums covered by section 32 is transferred to the new partnership. In such a case the new partnership will be assessed on these sums for the period they are received, subject to allowances for bad debts.

Section 32 taxes under Case VI of Schedule D sums received after the discontinuance if they fall within the net described below:

(*a*) if profits are computed on the earnings basis, all sums not brought into accounts in periods up to the discontinuance;

(*b*) if profits are not computed on the earnings basis, sums which would not have been brought in if the profits had been computed on the earnings basis.

Clearly, debtors would have been brought in if profits were assessed on the earnings basis and, therefore, escape tax if received after a discontinuance on the cash basis.

Work in progress is dealt with in section 35, which section appears to be complementary to section 143, Income Tax Act, 1952, which deals with work in progress on the discontinuance of a trade only. Section 35 starts with the words 'Where in computing for any income tax purpose the profits or gains of a profession or vocation which has been discontinued, a valuation is taken of the work in progress, that work shall be valued as follows', etc.

Clearly on the cash basis no valuation is taken, so that this section does not apply to the cash basis.

New partnership

The old partnership in either event will sell or transfer the work in progress to the new partnership and the Revenue will insist on assessing the new partnership on the earnings basis certainly during the opening years. If the work in progress and debtors have remained steady during the years affected by the change, no hardship has resulted at this stage; but the question now arises, will the Revenue accept a reversion to the cash basis after the opening years? I have said 'will they accept', because clearly they are under no obligation to do so, and if they insisted on the firm staying on the earnings basis, the only remedy would be to go to appeal before the Commissioners who would most likely decide in favour of the Revenue.

I understand, however, that in some cases the Revenue do accept a reversion to the cash basis, but on condition that there is regular billing of clients and no attempt to hoard potential cash profits, and they will not make any adjustment for the double assessment of profits which results in the year of change.

(*To be concluded.*)

Weekly Notes

INSTITUTE'S NEW COUNCIL MEMBER

MR ALFRED GORDON THOMAS, F.C.A., a partner in the firms of Camm Metcalfe, Best & Co, Chartered Accountants, and Kenneth West & Co, Chartered Accountants, of Sheffield, was elected a member of the Council of The Institute of Chartered Accountants in England and Wales at a meeting of the Council held on March 7th (reported elsewhere in this issue).

Born in 1912, Mr Thomas was educated at King Edward VII School, Sheffield, and served his articles with Camm Metcalfe & Co, in which firm his father, Mr J. B. Thomas, F.C.A., was the senior partner. He was admitted an Associate of the Institute in 1934 and after serving for a year at the London office of Peat, Marwick, Mitchell & Co became a partner in Camm Metcalfe & Co (now Camm Metcalfe, Best & Co).

Mr Thomas is President of the Sheffield & District Society of Chartered Accountants. He was a member of the Committee of the District Society from 1946–48 and has again been a member since 1960. He has served on the regional Taxation and Research Committee since 1947 and has represented the Society on the Institute's Taxation and Research Committee since 1949.

THE P. D. LEAKE TRUST ACCOUNTS

THE ninth report of the Council of The Institute of Chartered Accountants in England and Wales as Trustee of The P. D. Leake Trust, which accompanies the audited accounts for the year ended October 31st, 1961, is not a very communicative document for the simple reason that financially there is little to communicate. The disposable income for the year was £16,161 (as compared with £11,653 for the previous year) and of this sum £6,598 was disposed of in the form of grants, the creation of a new Research Fellowship at London University being mainly responsible for the increase of £2,006 over last year's disbursements of £4,592. The undistributed balance of £9,563 has been transferred to Income Account which now stands at £71,119. Net profits from realization of investments has added £2,104 to the Capital Account which is now £218,114. The Capital and Income accounts together are thus £289,233, represented by solid investments (mainly quoted) temporary deposits and bank balances. If the middle market values of the quoted investments were substituted for the book values (which are as valued at May 18th, 1960, or cost, less repayments), the combined assets would be hoisted a further £26,341 to £315,574.

The current report of the P. D. Leake Committee, comprising five members of the Council of the Institute assisted by an advisory committee made up of representatives from the Universities of Oxford, Cambridge, London and Birmingham, also accompanies the accounts. It states that Professor Richard Stone, who occupies the P. D. Leake Chair of Finance and Accounting at Cambridge, and his colleagues are making progress with their study of the problem of economic growth and that the availability of the EDSAC computer is helping them to reach tentative conclusions from the information being analysed. The committee states, too, that Mr T. W. McRae, C.A., A.C.W.A., the new Research Fellow at London University, is considering 'the effect of electronic computing techniques on the future of accounting'.

LEGACIES OF A LOST BID

IT might be said at the end of the 'take-over' battle between Imperial Chemical Industries Ltd and Courtaulds Ltd, that the result was a caucus race in reverse – everyone has run and no one has earned a prize. I.C.I. have created an impression of a hasty and wrong policy decision and are left with a need to remove the impression that certain aspects of both their technical and commercial policy-making need reorganizing. They come out of the battle with their reputation as a private concern with the highest standards of public responsibility hardly enhanced.

Courtaulds come out of the fray as nominal victors but the price paid has been a high one. They have had to reverse their policy on public relations, publicly hand over the direction of the battle to a second generation of senior executives, admit errors of judgment on dividend policy and saddle their future trading account and their financial and commercial management with heavy liabilities to their shareholders.

I.C.I. are left with just over 37 per cent of Courtaulds' equity, sufficient in a normal take-over affray to ensure board representation. The heated exchanges in the recent battle and the wide difference in opinion which apparently exists between them on the future organization of the man-made fibre industry is a poor start to concord at board level if there were I.C.I. directors appointed to the board of Courtaulds. Each company is already left with the problem of making their joint representation on the board of British Nylon Spinners work in continuing harmony. If there is no I.C.I. representation on Courtaulds' board it is difficult to see how the present

state of affairs can be anything but unstable. Either I.C.I. will eventually obtain control by gradually obtaining the required 13 per cent of the equity, or they will have to sell out their holding. They may decide to do so of their own accord. If they do not, the surprising precedent which the Government has set for itself in the recent decision not to force the Imperial Tobacco Company (of Great Britain and Ireland) Ltd to divest itself of its interest in Gallaghers provided the former does not interfere in the management of the latter, has taken on a new twist. With I.C.I. holding a substantial interest in Courtaulds without having a say in that company's management, it could be the tobacco situation all over again in an even less satisfactory context. The Government may yet be obliged to clarify and give teeth to its policy on the control of monopolies, especially when the Monopolies Commission offers a considered opinion about the situation in a particular industry.

G.A.T.T. TARIFF CHANGES

AN important outcome of the G.A.T.T. tariff negotiations begun in Geneva in September 1960 has been the conclusion of bilateral agreements signed by the United States with the United Kingdom, the European Common Market and other countries at the conference. It took nine months for the European Common Market agreements to be negotiated by the United States and since the summer of 1961 the United Kingdom has been negotiating with the United States and the E.E.C. Complete multilateral tariff schedules will be announced in due course. The announcement made last week on the bilateral agreements has been put out, contrary to usual G.A.T.T. practice, in advance of the complete schedules because of the importance of the bilateral arrangements.

The tariff agreement between this country and the United States is a big step towards the reduction of tariff barriers on a reciprocal basis.

Under the agreement this country reduces its duties on motor vehicles, parts and accessories from 30 to 22 per cent. The fall in duty on motor-cars into the E.E.C. will be from 29 to 22 per cent and on certain vehicle parts from 19 to 14 per cent. The duty on cars in the United States will fall from 8½ to 6½ per cent and on certain vehicle parts from 10½ to 8½ per cent.

THE WAY AHEAD

'THIS Council is not the panacea, the cure-all, for our economic troubles and diseases. We cannot perform economic conjuring tricks. It is important that people should not fall into the national fault of complacency, and of thinking that the establishment of this Council is the end of all their troubles.' No member of the National Economic Development Council could doubt the truth of these remarks from Mr Selwyn Lloyd on the occasion of the opening meeting of that body last week; whether the general public has begun to appreciate the enormity of the task which lies ahead is highly doubtful. The Chancellor made it clear to the members what he did not want from them: 'If our work together produces nothing more than a façade of co-operation, a form of window-dressing; if we are seen to do no more than exchange platitudinous generalities, we will have failed completely.' What the Chancellor does expect from the N.E.D.C. is just as clear. First, it must examine the economic performance of the nation with particular concern for plans for the future of industry in both the public and private sectors. Second, it must consider what are the main obstacles to quicker economic growth; what can be done to improve efficiency and, finally, to achieve agreement upon the best methods of improving economic performance and industrial efficiency.

Nothing, stressed the Chancellor, is to be regarded as beyond the terms of reference of the Council. It will seek advice and information from all sides and not merely from its own expert staff or the Treasury. Any person who has views on any relevant issue is invited to submit a memorandum to the Council. Yet, in the last resort, it is not lack of information or suggestions that will prevent the Council from achieving its goals. Its ultimate achievement depends on the extent to which the representatives of each sector of the economy can abandon their past sectional approach to the nation's difficulties.

It is difficult to feel sanguine about the prospects, more especially when the difficulties of bringing the Council into being are recalled. But, as Mr Lloyd so rightly observed, if the Council can give a lead, then it will find public opinion behind it. And this, as the events of the post-war years have shown, is the most important requirement of all economic planning.

STANDARDS FOR STOCK EXCHANGE MEMBERSHIP

LAST week the Stock Exchange Council announced that it proposed to introduce a period of training for future candidates for membership of the Stock Exchange. It also proposes to strengthen the rules dealing with the accounts of member firms. These changes are part of a programme to improve the standard of membership and the efficiency and capacity of member firms.

About eighteen months ago a subcommittee was appointed to look into conditions of membership, the creation and dissolution of partnerships and the preparation and submission of accounts of member firms. The proposed new rules, which give effect to the recommendations of that subcommittee, are subject to confirmation on March 26th.

Amendments include the abolition of sureties for candidates for membership. Instead, proposer and

seconder having no financial obligation in case of default will be required. The Council have wisely decided that personal knowledge and experience of candidates are more important than small financial guarantees. In addition, it is now stipulated that normally candidates must have at least two years' training with a member firm. No recommendations are made as yet for any examinations. As regards accounts, in future accountants examining them will have to state in the report any reservations they have had to make and if the Council is not satisfied with the report it may call for further information including a report from independent accountants. It may subsequently suspend the partners of the firm from trading. This is a new and powerful sanction in the hands of the Council.

Another change will require firms to maintain a balance on capital account sufficient to ensure a minimum degree of solvency. This minimum is put at not less than £10,000 for a broking firm and £15,000 for a jobbing firm, and not less than £5,000 per partner in either case.

This is My Life . . .

by An Industrious Accountant

CHAPTER 115

ACCOUNTANTS in industry find themselves faced with many completely unexpected problems never mentioned by their textbooks. Only experience can help them. That the smallest points cause the greatest trouble is axiomatic.

Some months ago our departmental accountant was preparing a longish report for the board of directors on sectional wage and salary percentages, past and anticipated, in terms of sales. We roughed it out together and interesting points emerged; it looked to be a useful contribution to management. He took it away to add some additional notes that we had discussed before having it typed and circulated.

On reading the typescript I was dismayed to find a number of blunders. There was an 8 per cent for managers' remuneration in the ladies' wear section, where it should have read 3 per cent; an abstract headed 1961 should surely have been 1960; our drapery association's title was wrong. I summoned the accountant to query it. I was annoyed; the report was below the standard expected of us.

He was more than a little offhand as he shrugged off the responsibility. He had given the draft to young Frank, one of his juniors, to complete; he certainly didn't feel it his place to check the typing afterwards. That was the typist's job; he was entitled to rely on her. In some little dudgeon he sent for Frank and the typist and peremptorily demanded their explanation. I never really followed the rest of the story; we were swamped in contradictions. As regards the association's title, the accountant had just noted it approximately, relying on Frank to check it; it apparently failed to occur to that trusting youth that his superior could be less than infallible. About the figures, said Frank in injured innocence, he had called them over to the typist but perhaps he misread that three; after all it did look a bit like an eight. At this stage, the typist reminded him stormily that they had changed over once; she had read to him. When they reversed roles, he had read back at least one page from the typed copy. Tears were brimming, contradictions were becoming heated; I got nowhere in cross-examination. In fact, I became as bewildered and annoyed as the pair of them, being conscious that I shouldn't really have been involved at all.

Meanwhile, their plump senior sat by with an expression of detached distaste. Not for him to stoop from his Olympian heights to aid lesser and frailer mortals. When the controversial figures were under fire he merely stated that they were perfectly clear to him; if his juniors were in doubt, they should have referred back to him. As he saw it, when he delegated a job down the line that was the end of it; he'd never get his more important work done if he had to follow up every detail. He didn't know which typist did the work or how Frank planned his scrutiny; if Frank had discussed the implications of the report with him, the 'Curtains' column wouldn't have been headed 'Canteen'. Anyhow, we seemed to be making a mountain out of a molehill; he'd just circulate an 'Errata' sheet and close the case. You couldn't expect to be perfect all the time; lots of reports had a page upside down similarly.

No disagreement ever shakes his composure. He just naturally knows that he's right. That type of character never appreciates that every time a disgruntled director grumbles 'another bunch of mistakes in the accounts report', our whole section gets a smear the memory of which lingers on indefinitely.

But when another report besprinkled with errors came from him last week and he blamed Frank again, I reacted differently. 'Jolly bad show, old chap,' I agreed cordially. 'Your subordinates have certainly let you down, but we can't blame you. Better do a special detailed survey of their procedure manual, with recommended revisions, and let me have up-to-date individual fitness reports, over the next fortnight. Too bad you'll have to miss that London trip we had planned to the trade display and jubilee dinner.'

I felt rather mean, but he's smart enough – he'll take the hint. *Experientia docet.*

Current Law

Tenant for Life's Leasing Powers

A TENANT for life of settled land made an agreement with a limited company, conditional on the Court's sanction being obtained, for the grant to the company of separate leases of three blocks of property. In one case the block comprised land held by the tenant for life in fee simple as well as land held upon the trusts of the settlement. In *Re Rycroft's Settlement, Rycroft v. Rycroft and Others* ([1961] 3 All E.R. 581) Wilberforce, J., held that it was not within the powers of a tenant for life to grant a lease of settled property together with property of which he was the absolute owner in a single lease, at least if, as in this case, there was no provision for apportioning the rent between the settled property and his own property. Section 42 (1) (i) of the Settled Land Act, 1925, provides that a lease (which by definition includes an agreement for a lease: ibid., section 117 (1) (x)) of settled land shall take effect in possession not less than twelve months after its date.

In the instant case the leases which were the subject of the agreement were to be granted at future dates which might be more than twelve years distant. It was argued for the tenant for life that the agreement was in this respect valid on the ground that there was a general power, under section 90 (1) (iii) of the Act, to enter into a contract to grant a lease and that the only limitation on that power was that, when the lease came to be granted, it must be in conformity with the Act; while section 117 (1) (x) related to an agreement for a lease which in effect amounted to a demise of the property (because the agreement was in equity equivalent to a lease), section 90 (1) (iii) related to an executory type of agreement to make a lease which was not equivalent to a demise. This argument Wilberforce, J., accepted, and held that the present type of transaction would be authorized under the power contained in section 90 (1) (iii). His lordship held the agreement invalid, however, because it was a term of it that the land should be leased in lots within section 44 (3) of the Act and the rent reserved was such that, contrary to the requirements of proviso (iii) of that subsection, the rent of at least one of the properties must, on an apportionment being made, exceed one-fifth of the annual value of the land comprised in the lease with the buildings thereon.

Rating of Public Park

A PARK was acquired by a local authority under section 164 of the Public Health Act, 1875, which empowers any urban authority to 'purchase or take on lease lay out plant improve and maintain lands for the purpose of being used as public walks or pleasure grounds'. The conveyances of the land to the local authority did not contain any covenants restricting the use of the land, and there had been no formal dedication of it as a public park, but in fact it had been continually so used.

In *Blake v. Hendon Corporation* ([1961] 3 All E.R. 601) the Court of Appeal held that the land was exempt from rates and rejected a contention that the corporation was in beneficial occupation of it. It was said that not only had there not been, but there could not be, dedication to the public, because section 164 of the Local Government Act, 1933, permits a local authority to let any land which it possesses, and it could not do this if the land belonged to the public and the public had the beneficial ownership of it. Dismissing this argument, the Court said that the authority's powers under section 164 of the Act of 1933 were subordinate to the main object for which the land was acquired and could be exercised only in so far as their exercise was compatible with the main object.

In connection with this case it should be observed that section 13 of the Rating and Valuation Act, 1961, provides relief from rates for parks provided or managed by local authorities and held available for free and unrestricted use by members of the public. This case may be contrasted with *Kingston upon Hull Corporation v. Clayton* ([1961] 3 All E.R. 118) (*The Accountant*, January 20th, 1962), where an art gallery in the occupation of a local authority was held liable to rates.

Servant Working at Risk to Health: Master not Liable

THE plaintiff in *Withers v. Perry Chain Co Ltd* ([1961] 3 All E.R. 676), after some five years in a job in which she was in contact with grease, contracted dermatitis due to the grease. She left her employment, but about a month later returned and asked for a job. She was given a job which was the one most free from grease which her employer had available for her, but she again developed dermatitis. She was again off work, but on return asked for her new job back, and after a further attack of dermatitis and a further absence she returned and asked for it yet again. Shortly afterwards she was, at her own request, transferred to a third job, where there was at most little contact with grease, and she was free from dermatitis for some two years. She then suffered a further attack and issued a writ against her employer alleging that her employer was negligent in permitting her to continue with the second job which she was given, knowing that she had had dermatitis, brought on by grease, and that the job in question involved some contact with a greasy substance which might cause a further outbreak of the disease.

The Court of Appeal held that there was no duty at common law requiring an employer to dismiss someone rather than to retain him or her and allow him or her to earn their wages, notwithstanding that there might be some risk. Devlin, L.J. (as he then was), said *obiter* that if the employer were to conceal the risk or fail to give the employee information which he had and which might help the employee to evaluate the risk properly, there might perhaps be a liability; or there might be a case in which an employer impliedly warranted that a job was safe for a particular employee.

Sale of Charity Land

THE plaintiff company in *Neville Estates Ltd v. Madden and Others* ([1961] 3 All E.R. 769) entered into an agreement in writing with the defendants, the trustees of a synagogue, for the purchase of two plots of vacant land, the agreement providing that the contract was subject to the consent of the Charity Commissioners 'so far as the same is required'. The Commissioners refused their consent at the sale price and the plaintiff brought an action for a declaration that the land could be sold without the Commissioners' consent and for specific performance of the agreement. The plaintiff maintained that the land was not held on charitable trusts, but that if it was so held it was exempt from the jurisdiction of the Commissioners under section 62 of the Charitable Trusts Act, 1853.

Cross, J., held that the trusts were charitable and that the exemption did not apply. The argument that the Commissioners had no jurisdiction turned on the question whether or not the charity was one 'wholly maintained by voluntary contributions', and as this test is obsolete since the Charities Act, 1960, became law, this aspect of the case is not considered here. The argument that the trust purposes were not charitable was based on the fact that they were not exclusively religious purposes because social activities were carried on by the members of the synagogue as part of its activities, and that the trust was for the benefit of its members, a private unincorporated association. Cross, J., found, however, that the social activities were merely ancillary to the religious purposes and that, as the religious purposes had the requisite element of public benefit, the trusts were charitable.

Settlor Under Incapacity by Foreign Law

IN *Re Langley's Settlement Trusts, Lloyds Bank Ltd v. Langley and Others* ([1961] 3 All E.R. 803) the Court of Appeal affirmed the decision of Buckley, J. ([1961] 1 All E.R. 78) (*The Accountant*, July 8th, 1961, where the facts are set out). Their lordships held that the Court was not bound to give effect to the status of incompetency of the settlor under the law of California, and in the circumstances that the settlor should not be deprived of the power which he had under the settlement of withdrawing money from it. The relevant order of the Californian Court had appointed the settlor's wife guardian of his estate and person, and she had executed the relevant notice of withdrawal of trust funds. The Court also held that if the Californian order was to be accepted at all it should be accepted altogether, in which case the right of withdrawal would be found to be validly exercised by the settlor's wife as guardian, and rejected a contention that, while Californian law prevented the settlor from disposing of his property, English law prevented his wife as his guardian from exercising the power on his behalf.

Direction to Invest in 'Blue Chip' Investments

THE testator in *Re Kolb's Will Trusts, Lloyds Bank Ltd v. Ullmann and Others* ([1961] 3 All E.R. 811) directed his trustees to invest his residuary estate in 'blue chip' investments and expressly declared that they were not to invest in Government, trustee or fixed interest stock or debentures. The ultimate residue was given on charitable trusts.

Cross, J., held that the direction to invest in 'blue chip' investments was void for uncertainty. Whether or not an investment came within this category depended essentially on the standards applied by the speaker and could not be regarded as an objective quality of the investment. The testator might have made his trustees the judges, but he had not done so. It followed that the prohibition against investment in trustee or fixed interest investments was also ineffective, as it had meaning only on the footing that the provision for investment in 'blue chips' was effective.

The Attorney-General objected, on behalf of charity, to the field of investment permitted by the Trustee Investments Act, 1961, being extended, and Cross, J., while observing that the Court undoubtedly

Finance and Commerce

Falkland Islands Co

THIS week's reprint presents the accounts of The Falkland Islands Co Ltd – a company incorporated by Royal Charter in December 1851 and registered under the Companies Acts in 1902. Although the accounts are those for the year ended December 31st, 1960, and were issued about June 1961, it was only recently that they have become generally available, as a result of being granted an official quotation on the London Stock Exchange. The shares have been dealt in for many years under a stock exchange rule that permits dealings subject to official permission being obtained for each separate transaction. Such business having, however, become more active in recent months, the Stock Exchange Council decided that it was about time the company became 'quoted'.

In these accounts one meets a situation which is almost out of this world. To most people, it is probably true to say, the Falkland Islands are no more than a name. But there they lie, down in the South Atlantic on the east of the southern tip of South America – about as far from the mainland as London is from Edinburgh. Their latitude south of the equator is about the same as the English Midlands north of 'the Line'.

Sheep Farming

The Falklands consist of two large and about 200 smaller islands. Total land area is about 4,600 square miles, which is about one-tenth smaller than the area of Northern Ireland. There is only one town, Port Stanley, the capital, which lies about 1,000 miles south of Uruguay, and is the home of about half the population of the Islands – some 2,200 – who are almost entirely of United Kingdom origin.

There are no roads, and no mineral deposits of economic value have been discovered. The soil is peaty and acid, producing native grasses low in nutritional value. The climate is dominated by westerly winds and the low temperature of the surrounding seas. Mean monthly temperature varies from 35·5° in winter to 49° in summer. Rainfall of twenty-seven inches is spread fairly evenly over the year.

Yet here is a more than a century old charter company which has done very well out of sheep farming, basically for the wool. Establishment was slow and, until 1864, unprofitable. But the company now farms about 1¼ million acres and shears nearly a quarter of a million sheep a year, giving a 'clip' of well over two million pounds. So its shares, now quoted, are in the commodity category with a value closely associated with the price of wool.

Development

It was in the natural order of development that the company should open retail shops and obtain agencies for Lloyd's, the Royal Insurance Co, and for shipping and air lines. Banking facilities for other sheep farmers in the colony are provided through a wholly-owned subsidiary, and the company owns the R.M.S. *Darwin* which maintains a service with Montevideo; and a chartered motor ship connects with the West India Dock, London. The London wool market, is, of course, the place where the 'clip' is sold.

What is now being sought, in these days when wool is no longer supreme, is increasing diversification. A small experimental mink farm was set up in 1959 which has possibilities. And the board, which already has experience in ship management, is now going fifty–fifty with another interest in building and operating a cargo vessel.

Basically, however, the business is sheep farming, and there is still room there for more efficient working. There is a need to develop higher quality herbage. That means fencing off sheep from land under improvement; this in turn means labour – and labour is in short supply. Very few people are willing to spend their lives in such a place.

Income Tax

For men prepared to accept the life, the company has a five-year contract scheme for those found suitable, and it is not unknown for them to leave at the end of their five years with £1,000 and more in savings. There is, of course, very little temptation in the Falklands to spend money. Some even go back for another spell of work – and the peace which is only obtainable away from civilization.

But there is a cloud in the sky: the rate of company tax which has been 3*s* 6*d* in the £1 for many years, says Mr P. D. L. Ainslie, the chairman, may be expected to 'rise substantially in the near future'. However, to the extent that profits distributed are subject to United Kingdom tax, there will be recovery by way of double taxation relief. The Falklands Islands Company itself has obtained overseas trade corporation status.

It is in the light of such circumstances that one studies the balance sheet. Sheep, for instance, are valued in United Kingdom terms at hardly more than forty cigarettes. Valuation has its own special meaning when everything else against which comparison can be made is so very remote.

THE FALKLAND ISLANDS COMPANY LIMITED
LONDON AND STANLEY
BALANCE SHEET 31st DECEMBER, 1960

1959 £	£		£	£	1959 £	£		£	£
		CAPITAL AUTHORISED—					FIXED ASSETS—		
		5,000 5% Cumulative Preference Shares of £10 each	50,000				Falkland Islands Land and Development—		
		450,000 Ordinary Shares of £1 each	450,000				At the net book amount on 31st December, 1947,		
			£500,000		202,969		less Sale	202,969	
					20,767		Additions since at cost	21,341	
					223,736				224,310
		CAPITAL ISSUED—						Cost	Depreciation
		3,300 5% Cumulative Preference Shares of £10 each,					Buildings	£484,765	£287,635
33,000		fully paid	33,000				Fencing, Plant, Utensils and Furniture	174,039	131,313
448,500		448,500 Ordinary Shares of £1 each, fully paid ..	448,500				Lighters and Small Craft ..	30,735	24,098
481,500				481,500	254,812			£689,539	£443,046	246,493
193,630		CAPITAL RESERVE		193,630			*1959*	*£660,160*	*£405,288*	
		REVENUE RESERVES—					Livestock at the net book amount on 31st December,		
					89,462		1947	89,462	
30,000		Farm Development Reserve	27,986		4,211		Additions since at cost	5,348	
730,000		General Reserve	760,000		93,673				94,810
56,624		Contingencies Reserve (*Note 1*)	59,408		572,221				565,613
506		Income Tax 1961/62	539						
35,441		Profit and Loss Account, balance after Appropriations	35,076						
852,571				883,009			INTERESTS IN SUBSIDIARY—		
					367,619		Shares at cost, less provision	375,203	
		CURRENT LIABILITIES—			200,000		Amount owing on Loan Account	200,000	
					567,619				575,203
26,195		Amount owing to Subsidiary on Current Account ..	27,447				INVESTMENTS—		
70,794		Sundry Creditors	78,619						
50,586		Current Taxation	51,477						
34,338		Dividend Provided (Net)	41,206		7,500		*Defence Bonds*	—	
181,913				198,749	4,659		Unquoted Investment	4,659	
							Quoted Investments (Market Value £100,517—*1959*,		
					50,074		*£91,505*)	71,124	
					62,233				75,783
					8,755		ADVANCE ON MORTGAGE		2,424
		On behalf of the Board,							
		P. D. L. AINSLIE } *Directors.*					CURRENT ASSETS—		
		J. H. YORATH }			362,577		Stores on hand and in transit	338,695	
					9,721		Produce	7,410	
					29,330		Sundry Debtors and Deferred Charges	31,638	
					50,000		Deposits at Short Call	130,000	
					47,158		Bank Balances and Cash in hand	30,122	
					498,786				537,865
£1,709,614				£1,756,888	£1,709,614				£1,756,888

Report of the Auditors to the Members of The Falkland Islands Co. Ltd.

We have audited the annexed Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books have been kept and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account.

The returns from the Stanley Office, not visited by us, have not been audited. Subject thereto, in our opinion the Balance Sheet and Consolidated Accounts in conjunction with the relative Notes comply with the requirements of the Companies Act, 1948, and give a true and fair view of the state of affairs of the Company and of the Company and its Subsidiary, as at 31st December, 1960, and of the Profit for the year ended on that date of The Falkland Islands Co. Ltd. and its Subsidiary, so far as concerns the Members of the Company.

J. & J. SAWYER & Co.
Chartered Accountants.

64, Cannon Street, London, E.C.4.
15th June, 1961

THE FALKLAND ISLANDS COMPANY LIMITED AND ITS SUBSIDIARY
LONDON AND STANLEY

CONSOLIDATED BALANCE SHEET 31st DECEMBER, 1960

1959 £	£		£	£
		CAPITAL AUTHORISED—		
		THE FALKLAND ISLANDS COMPANY LTD.—		
		5,000 5% Cumulative Preference Shares of £10 each	50,000	
		450,000 Ordinary Shares of £1 each	450,000	
			£500,000	
		CAPITAL ISSUED—		
		THE FALKLAND ISLANDS COMPANY LTD.—		
	33,000	3,300 5% Cumulative Preference Shares of £10 each, fully paid	33,000	
	448,500	448,500 Ordinary Shares of £1 each, fully paid	448,500	
481,500				481,500
193,630		CAPITAL RESERVE		193,630
		REVENUE RESERVES—		
	30,000	Farm Development Reserve	27,986	
	730,000	General Reserve	760,000	
	57,773	Contingencies Reserve (*Note 1*)	61,053	
	5,806	Income Tax 1961/62	10,339	
	36,711	Profit and Loss Account, balance after Appropriations	48,447	
860,290				907,825
1,535,420				1,582,955
		CURRENT LIABILITIES—		
	237,360	Clients' Balances and Trade Creditors	245,974	
	67,917	Current Taxation	56,975	
	34,338	Dividend Provided (Net)	41,206	
339,615				344,155
		On behalf of the Board,		
		P. D. L. AINSLIE, J. H. YORATH } *Directors.*		
£1,875,035				£1,927,110

1959 £	£		£	£
		FIXED ASSETS—		
		Falkland Islands Land and Development—		
	202,969	At the net book amount on 31st December, 1947, less Sale	202,969	
	20,767	Additions since at cost	21,341	
223,736				224,310
			Cost / Depreciation	
		Buildings	£484,765 / £287,635	
		Fencing, Plant, Utensils and Furniture	174,335 / 131,391	
		Shipping	355,657 / 79,571	
541,288			£1,014,757 / £498,597	516,160
		1959	*£984,998 / £443,710*	
		Livestock at the net book amount on 31st December,		
	89,462	1947	89,462	
	4,211	Additions since at cost	5,348	
93,673				94,810
858,697				835,280
		INVESTMENTS—		
	7,500	*Defence Bonds*	—	
	4,659	Unquoted Investment	4,659	
	225,596	Quoted Investments (Market Value £284,892—*1959*, £283,178)	246,653	
237,755				251,312
15,557		LOANS AND MORTGAGES		12,809
		CURRENT ASSETS—		
	366,017	Stores on hand and in transit	343,012	
	9,721	Produce	7,410	
	56,837	Clients' Balances, Trade Debtors and Deferred Charges	52,308	
	185,000	Deposits at Short Call	310,000	
	145,451	Bank Balances and Cash in Hand	114,979	
763,026				827,709
£1,875,035				£1,927,110

THE FALKLAND ISLANDS COMPANY LIMITED and its Subsidiary

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND APPROPRIATION ACCOUNT

for the year ended 31st December, 1960

£	1959 £	£		£	£	£
216,303			TRADING PROFIT			241,838
			Add—			
	10,102		Income from Investments—Gross		11,293	
	10,506		Bank and other Interest		22,637	
20,608						33,930
236,911						275,768
			Less—			
	50,872		Depreciation of Fixed Assets		58,776	
			Directors' Remuneration:—			
		2,000	Fees	2,000		
		9,212	Commission based on Ordinary Dividends	10,334		
		11,212		12,334		
		8,360	Other Emoluments	8,767		
		2,580	Pension to Former Director	2,580		
	22,152				23,681	
73,024						82,457
163,887			PROFIT BEFORE TAXATION			193,311
61,110			*Less*—Estimated Taxation (*Note 3*)			77,034
102,777			NET PROFIT AFTER TAXATION			116,277
—			*Less*—Profit retained in Subsidiary			12,101
3,794			*Add*—*Reduction of Profit retained in Subsidiary*			—
106,571			NET PROFIT DEALT WITH BY THE FALKLAND ISLANDS COMPANY LIMITED			104,176
			Add—			
	15,988		Transfer from Farm Development Reserve—amount no longer required		2,014	
	32,569		Balance of undistributed profit at previous 31st December brought forward		35,441	
48,557						37,455
155,128						141,631
			APPROPRIATIONS—			
	50,000		General Reserve		30,000	
			Dividends of The Falkland Islands Company Limited, after deduction of United Kingdom Income Tax—			
	1,011		Preference Dividend, 5% on £33,000		1,011	
			Ordinary Dividends—			
		34,338 (12½%)	Interim, paid 31st December, 1960, 12½%	34,338		
		34,338 (12½%)	Second Interim, payable 30th June, 1961, 15%	41,206		
	68,676				75,544	
119,687						106,555
			Balances carried forward—			
35,441			The Falkland Islands Company Limited			35,076
1,270			Subsidiary Company			13,371
£36,711						£48,447

NOTES ON THE ACCOUNTS

1. MOVEMENT IN RESERVES—

	The Falkland Islands Co. Ltd.	Consolidated
Contingencies Reserve—Balance from 1959	£56,624	£57,773
Add—Premiums on risks covered charged against profits	2,784	3,335
	59,408	61,108
Deduct—Claims paid	—	55
	£59,408	£61,053

2. In addition to Directors' Commissions, payment to Employees of Commissions amounting to £5,899 has been calculated on the Ordinary Dividends paid or payable for the year.

3. TAXATION

Provision has been made in these accounts for:—

(*a*) Profits Tax	£6,250
(*b*) Income Tax on the Investment Income and the distribution of Exempt Trading Income for the year of The Falkland Islands Co., Ltd., and Income Tax on the profit for the year of the Subsidiary	66,048
	72,298
Less—Double Taxation Relief	22,264
	50,034
(*c*) Colonial Income Tax	27,000
	£77,034

The Falkland Islands Company Ltd. is provisionally deemed to be an Overseas Trade Corporation and additional Income Tax would, therefore, become payable in the event of further distribution of Exempt Trading Income.

4. Contingent Liabilities in respect of Guarantees of The Falkland Islands Company Ltd. amount to £250 (*1959—£250*).

5. Contracts for capital expenditure not provided for in these accounts amount to £2,300 (*1959—£5,000*).

CITY NOTES

REDUCTION in Bank rate, I.C.I.'s defeat at the hands of Courtaulds and some new and less pessimistic thinking on Budget prospects are currently the three main City topics. Bank rate reduction is already being reflected in reduced yields and an immediate test of the new borrowing position comes in the shape of a £20 million 6¼ per cent loan at 97¾ per cent by Middlesex County Council.

The weight of the Middlesex loan is added to an already heavy weight of new issue operations in the market. The pre-Budget period is invariably a busy new issue time and this year is no exception. The bid by M. Samuel, the bankers, to stamp out 'dud cheque' applications for the Provident Clothing & Supply issue is being watched closely by other issuing houses.

The I.C.I.–Courtaulds affair finally showed the City to have been a long way out in its estimates of the likely result. I.C.I.'s financial advisers seem, in retrospect, to have overplayed their hand to a dangerous degree, particularly in the move of making I.C.I.'s bid unconditional on acceptances as early as March 1st.

On the Budget point there is now an inclination to look for a holding Budget rather than a further attempt at restriction. There are also some optimistic suggestions that the intended capital gains tax will not be a particularly onerous affair.

Whether this Budget optimism is justified remains to be seen but for the present, at least, the stock-market is not displaying 'Budget nerves'.

RATES AND PRICES

Closing prices, Wednesday, March 14th, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3½%

Bank Rate

Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%

Treasury Bills

Jan. 5	£5 8s 7·81d%	Feb. 9	£5 8s 0·74d%
Jan. 12	£5 8s 6·03d%	Feb. 16	£5 9s 10·81d%
Jan. 19	£5 6s 2·35d%	Feb. 23	£5 10s 7·47d%
Jan. 26	£5 4s 10·06d%	Mar. 2	£5 10s 11·26d%
Feb. 2	£5 4s 4·93d%	Mar. 9	£5 0s 5·89d%

Money Rates

Day to day	3⅞–4⅛%	*Bank Bills*	
7 days	4–4⅛%	2 months	5 5/16–5¼%
Fine Trade Bills		3 months	5 5/16–5¼%
3 months	6¼–7%	4 months	5 3/16–5¼%
4 months	6¼–7%	6 months	5 5/16–5 5/16%
6 months	6½–7⅛%		

Foreign Exchanges

New York	2·81⅝–¾	Frankfurt	11·26¼–⅜
Montreal	2·95⅜–½	Milan	1749–¼
Amsterdam	10·16¼–⅜	Oslo	20·05½–¾
Brussels	140·21¼–¾	Paris	13·80–¼
Copenhagen	19·36½–37	Zürich	12·21⅞–22⅛

Gilt-edged

Consols 4%	63	Funding 3% 59–69	82⅝xd
Consols 2½%	40⅛	Savings 3% 60–70	79¾
Conversion 5½% 1974	92½	Savings 3% 65–75	71 3/16
Conversion 5% 1971	91 11/16	Savings 2½% 64–67	87⅛
Conversion 3½% 1969	85½	Treasury 5½% 2008–12	88
Conversion 3½%	55¼	Treasury 5% 86–89	83 11/16xd
Exchequer 5½% 1966	99 9/16	Treasury 3½% 77–80	71⅜
Funding 5½% 82–84	91¾	Treasury 3½% 79–81	70⅛
Funding 4% 60–90	89¾	Treasury 2½%	40 5/16
Funding 3½% 99–04	61 5/16	Victory 4%	95⅝
Funding 3% 66–68	84 15/16	War Loan 3½%	56 9/16

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Scope of Management Accounting

SIR, – If the point of criticism in Mr P. R. Rawson's letter in your issue of March 10th is that separate interests of the ordinary shareholders, preference shareholders, loan stock holders and future taxation should be shown before the assets and liabilities representing these interests, then I am inclined to agree; it would be a better arrangement.

However, a point of greater importance is that the ordinary share capital should be split away from the preference share capital and linked with the reserves to show the total ordinary shareholders' interest in the business.

Yours faithfully,
J. P. WILSON, F.C.W.A., F.C.I.S.

Kenilworth, Warwickshire.

The Training of Accountants

SIR, – In reply to Mr K. J. Hamilton (February 17th issue), as a fellow graduate I should like to take up the first point in his letter where he stated that correspondence courses are 'well planned, well presented and easy to understand, which is far more than can be said of some lectures given by university staff'. Here Mr Hamilton seems to dismiss the potentialities of 'class-room teaching', preferring instead to extol the apparent perfection of the postal tuition method.

The implication seems to be that all oral teaching in the sphere of accountancy is along the lines of abstract theorizing of university professors. In my

own experience this seems not to be the case. The four-week introductory course, for example, which is held at the Staffordshire College of Commerce, Wednesbury, is of far greater benefit and prepares the articled clerk far more effectively than does a lengthy period of postal tuition. Although all commercial colleges are perhaps not as dynamic and energetic as Wednesbury, nevertheless it seems unrealistic to dismiss the teaching of accountancy in such colleges as a complex intellectual exercise.

Yours faithfully,

Wolverhampton. R. W. LOVE.

Appointment of Auditors: Procedure

SIR, – As a shareholder, I received a copy of the Directors' Report and Statement of Accounts of a public company from which I have noted the following:

(1) The agenda for the annual meeting includes the 'Election of Auditors'.
(2) The Chairman's Review states that a firm of chartered accountants had been appointed during the year under review as joint auditors and that they were willing to continue in office.
(3) The Directors' Report states that the auditors (both firms) will be re-appointed under the provisions of section 159 (2) of the Companies Act, 1948.
(4) The firm referred to in the Chairman's Review signed the Report of the Auditors to the members (and above the signature of the firm who have been the sole auditors for many years).
(5) The auditors' remuneration is twice that for the previous year.
(6) The (sole) auditors were, of course, re-appointed under section 159 (2) at the previous annual general meeting.

I would appreciate the observations of your readers on the legal and professional aspects of these facts.

Yours faithfully,

F.C.A.

Minimizing Office Paper Work

One-day Conference in London

Accurate information – clearly presented – speedily supplied. These three points were put forward by Sir Halford Reddish, F.C.A., as essential for the adequate control of any business in a luncheon address at the recent one-day conference on 'Changing ways in paper work' organized by the London Branch of the Institute of Office Management.

Sir Halford said earlier that the value of men and women working in business depended to a large degree on the extent to which they were able and willing to work in harmony with each other. This, he said, was an essential feature of office management. He thought it would be true to say that the end-product of much of the work in office management must in one way or another be a matter of communication, and therefore it was important that the information reached the individuals for whom it was intended without delay and that the channel of communication should be clearly defined. Communication inevitably meant paper work and forms which were apt to multiply incessantly.

What was most important, therefore, said Sir Halford, was that all forms and the paperwork of an organization should be examined carefully and dispassionately at fairly frequent intervals. In his own company – Rugby Portland Cement – they tried to do this at least every year. They send to all heads of departments and works managers an instruction to examine each form *originating* from their departments, with the object of reducing the size, eliminating unnecessary detail and improving the layout. The departmental heads were also asked to examine each form *received* in their departments and to consider (1) the reason for it; (2) what was its present value to the department; and (3) how long it was retained, and why. This proved a most valuable exercise, for there was usually some form or part of a form which was out of date or no longer of use – and somebody will always continue to fill up a form as long as he is allowed to do so.

Referring to the need for efficiency in industry, Sir Halford said that whether Britain joined the European Economic Community or not, it was certain that the survival of this country depended on the efficiency of its industries and their ability to be competitive in the world outside, for, he said, it is truer than ever today that we export or die. 'Look after efficiency,' said Sir Halford, 'and the profits will usually look after themselves, and whatever may be said about profits, the fact remains that they are vital to the survival of this country, for the profits of today are the source of capital of tomorrow.'

Paper Work in the Public Service

After the opening of the conference on Thursday morning of last week by Mr Brian A. Maynard, M.A., F.C.A., a partner in the firm of Cooper Brothers & Co, Chartered Accountants, a paper on 'Improving paper work in the public service' was presented by Mr C. R. Smith, O.B.E., of the Central Organization and Methods Branch of the G.P.O.

Unfortunately, said Mr Smith, there was a tendency of the 'bigger the business, the bigger the paper work'. The human being was the key to the whole problem.

There were two lines of attack against this position, he said. The first was to get records off paper, and to eliminate the need for communication, which meant mechanization, and mechanization meant computing. There was a most important aspect of computing, namely, re-thinking and complete disregard of pre-computer methods.

Mr Smith then spoke about the cost savings obtained by mechanization and the arguments for and against the use of computers. He warned, however, that if improperly used, computers could be a costly capital investment.

Mr Smith illustrated his address with examples from Post Office computer planning, and revealed some problems with which they were faced behind the Post Office counter and in the Post Office Savings Bank scheme.

Today's Pattern of Bank Book-keeping

The next paper was presented by Mr D. S. Travers, A.I.B., general managers' assistant, Barclays Bank Ltd, on 'Today's pattern of bank book-keeping'.

Mr Travers spoke of the complete change modern accounting methods were making in the day-to-day pattern of bank book-keeping. There had been, he said, an immense post-war growth of cheque clearings. At the same time there was an increasing use of high-speed sorters. Magnetic ink markings in coded form could now be made at the bottom of cheques, with consequent reduced help needed by the human hand.

With the development of a common language in the use of electronic data processing, the centralization of branch book-keeping (with the aid of private transmission lines) was now becoming advantageous. By using computers, he said, management had easy access of control information, and there were permanent records for both the customer and the bank.

'Getting Away from it all'

After lunch, Mr M. J. Glenn, O.B.E., B.SC., T.D., personnel executive of Marks & Spencer Ltd, gave an interesting talk on the steps which had been taken in his organization not merely to reduce paper work but to eliminate it in large measure from many management procedures.

Mr Glenn said that the vast majority of staff can be trusted, and by trusting them unnecessary controls could be abolished, together with extra paper work and red tape. This was the principle which had been adopted by his organization.

Systems and methods automatically become more complex, he said. It takes constant effort to keep work simple. All saving, including the saving of paper, starts with simplification. The enemies of simplification are excessive paper work, wasteful practices and useless statistics.

The campaign against these must start from top management. Anything less was ineffective, said Mr Glenn. Every member of the staff from the board downwards must develop the seeing eye and the hearing ear and must want to question every action and every system, the fundamental question being 'Is it necessary?'

The main principles which emerged in the simplification carried out by Marks & Spencer were:

(*a*) *Shun statistics* – question the value of all statistics and records. Can they be assimilated and used productively?

(*b*) *Sensible approximation* – getting near enough for all practical purposes is often more efficient than a costly striving after perfection for its own sake.

(*c*) *Use valuable human beings properly* – an efficient and contented staff is a great asset. Make sure that people are not wasted on purposeless jobs.

(*d*) *Increase personal contact* – communicate as much as possible by word of mouth in personal contact. Go and see for yourself.

(*e*) *Never legislate for exceptions* – keep all standing instructions to the absolute minimum and leave exceptions to the experience and common sense of the people on the spot.

(*f*) *People can be trusted* – If this was accepted, many costly safeguards can be abolished. Permanent control systems can be replaced by spot checking. It usually turns out that the losses are less than the cost of control.

Applying the foregoing principles leads to savings, said Mr Glenn, but, perhaps more important, there is an unexpected dividend in that people work more purposefully, and with a greater sense of participation in the enterprise.

Eliminating Paper Work in Hire-purchase

The final paper of the conference was presented by Mr H. Simpson Cook, LL.B., F.C.I.S., manager, United Dominions Trust Ltd, on 'Eliminating paper work in hire-purchase'.

Mr Simpson Cook said that often safeguards and security measures could cost more than the loss it was intended to avoid. In this he was in full agreement with Mr Glenn.

Mr Cook's address may be summarized as follows:

Careful scrutiny of work and elimination of unnecessary processes, so that information necessary to other departments is maintained without needless 'frills'; and done with a minimum of inter-office traffic.

Proper apportionment of tasks between individuals and departments, so that work is done in proper chronological order. This eliminates unnecessary double checking of work.

Careful study of safeguards and security measures to ensure that no such measure is used when its operation would cost more than the loss which is to be avoided. In the United Dominions Trust view this was very important and they were constantly watching it.

Elimination of unnecessary correspondence and the use of printed forms and form letters, wherever practicable. Keeping letters and memoranda as brief as possible, consistent with recording of facts.

Use of mechanical systems of accounting. Some hire-purchase companies, both at home and on the Continent, are employing electronic computers to handle all accounting processes and follow ups and preparation of routine reminders.

Constant review of all organization methods and systems and study of new machines and forms, as these come on the market.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Cenlon Finance Co Ltd *v.* Ellwood

In the House of Lords – March 1st, 1962

(Before Viscount SIMONDS, Lord REID, Lord DENNING, Lord MORRIS OF BORTH-Y-GEST and Lord GUEST)

Income tax – Dividend – Paid out of capital surplus – To share-dealing company – Whether trade receipts – Discovery – Settlement of appeals by agreement – Whether additional assessment possible on same issue – Taxes Management Act, 1880, section 57 (10) – Income Tax Act, 1952, sections 40, 41, 47, 50, 54, 184, 510.

The appellant, which carried on a share-dealing business, bought, on October 20th, 1953, all the shares in another company for £72,000. This company had sold some of its capital assets for cash, and the money it thus received was a capital receipt in its hands. On October 23rd, 1953, the subsidiary company declared a capital distribution of £25,000, and that sum was paid to the appellant on November 2nd, 1953. On December 4th, 1953, the appellant company sold its shares in the other company for £27,500.

On November 19th, 1954, Schedule D assessments were made on the appellant company for 1953–54 and 1954–55. Notice of appeal was given three days later, and the stated ground of appeal was that accounts were sent to the Inspector together with a tax computation showing £33,200 of dividends from United Kingdom companies deducted. This sum was made up of the £25,000 and a capital distribution of £8,200 received from another company, Abraville Securities Ltd. In response to his request details of the £33,200 were given to the Inspector on July 27th, 1955, and on August 8th he agreed the computation and amended the notices of assessment. On November 24th he sent a notice of assessment under Schedule D for 1955–56, which was also in accord with the agreed figure of profit.

On June 18th, 1956, a new Inspector informed the appellant company's accountants that in his view the £25,000 and the £8,200 were trading receipts, and he caused additional assessments to be made for 1953–54 to 1955–56 and a first assessment for 1956–57. After these assessments had been made, the profit of Abraville Securities Ltd, out of which the £8,200 had been paid, was assessed, and the Inspector abandoned his claim in respect of that sum.

The Special Commissioners heard appeals against the assessments on the appellant, and they decided (1) that the £25,000 should have been included in the appellant's Case I assessment; (2) that for 1953–54 to 1955–56 the new Inspector had 'discovered' for the purposes of section 41 of the Income Tax Act, 1952.

Held (affirming the decision of the Court of Appeal): the Special Commissioners' decision was correct on both points.

Rolls-Royce Ltd *v.* Jeffery

(Before Viscount SIMONDS, Lord REID, Lord RADCLIFFE, Lord MORRIS OF BORTH-Y-GEST and Lord GUEST)

In the House of Lords – March 1st, 1962

Income tax – Trade – Sales of know-how – Whether receipts taxable.

The appellant carried on the trade of manufacturing and selling motor-cars and the manufacture and sale of aircraft engines. For the purposes of the trade the company conducted metallurgical research and discovered and developed engineering techniques and secret processes and, generally, accumulated a fund of technical knowledge or know-how, only a small part of which was capable of being patented. Until after 1945 the company turned this know-how to account only in carrying on its own trade; but from 1946 to 1953 the company made a number of agreements with foreign Governments and businesses, whereby in consideration of a lump-sum payment the company undertook to supply the other party with drawings and information to enable it to manufacture some types of the company's aircraft engines. It was also a part of the contracts that the appellant would advise the other party from time to time of improvements and modifications in the manufacture and design of the engine in question, as and when the British Government permitted the appellant to do so. The agreement bound the other party to keep the drawings and the information secret; and the company would receive personnel of the other party into its works or buildings with a view to instructing them in the construction of the engines.

It was contended on behalf of the appellant that its trade was that of manufacturing motor-cars and aircraft engines, and that the sale of know-how was not a part of its trade; and that the lump-sum payments received under the agreements could not be included in the computation of the appellants' profits for tax purposes. It was contended on behalf of the respondent that these sums were receipts of a revenue nature of the respondent's trade, and should be included in computing the profits thereof. The Special Commissioners accepted the appellant's contentions and allowed the appeal.

Held (affirming the judgment of the Court of Appeal): the sums in question were receipts of the appellant's trade.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, March 7th, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President; in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay-Davison, W. G. Densem, S. Dixon, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele J. E. Talbot, A. H. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

Election to the Council

Mr Alfred Gordon Thomas, F.C.A., Sheffield, was elected a member of the Council to fill the vacancy caused by the resignation of Mr Kenneth George Shuttleworth, F.C.A.

Statements on Auditing: 2. Stock-in-trade and Work in Progress

On the report of the Parliamentary and Law Committee, following consideration of a memorandum submitted by the Taxation and Research Committee, the Council has approved the second of the series of Statements on Auditing entitled *2. Stock-in-trade and Work in Progress*. Copies of the statement will be distributed to members on March 15th, 1962, as Supplement No. 10 to the *Members' Handbook*. Additional copies in booklet form may be purchased on application to the offices of the Institute, price one shilling per copy (remittances must accompany orders).[1]

Overseas Trade Corporations

The Council authorized the sending of a letter to the Chancellor of the Exchequer enclosing a memorandum on practical difficulties encountered in the operation of the overseas trade corporations legislation and also requesting the Chancellor to consider again the proposal made by the Council in its memorandum of December 2nd, 1959, that the legislation should be extended to embrace trading income from non-resident subsidiaries.

The Society of Incorporated Accountants (*in voluntary liquidation*) South African Special Final Examination

The Scheme of Integration between The Institute of Chartered Accountants in England and Wales and The Society of Incorporated Accountants provided that the Special Final examination of the Society held in South Africa and in Southern Rhodesia should be held until December 1967, 'if and so long as the Council of the Institute considers it necessary and practicable to do so'. The examination, which was conducted by the Society for many years in May and November annually, may be taken only by those former students of the Society who registered with the Institute as a result of the Scheme of Integration; no other person is eligible.

The Council of the Institute has decided that from May 1962, the examination will be held in May only of each year, subject to its right under the scheme to discontinue the examination before 1967.

Any former student of the Society who registered with the Institute under the Scheme of Integration and who has not received a communication incorporating the foregoing information is invited to write to the Secretary of the Institute, Moorgate Place, London EC2.

Registration of Articles

The Secretary reported the registration of 308 articles of clerkship during the last month, the total number since January 1st, 1962, being 505.

Admissions to Membership

The following was admitted to membership of the Institute:

§Thirsk, Bryan Edward, A.S.A.A., *a*1962; 28 South Road, Weston-super-Mare.

Fellowship

The Council acceded to applications from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration

[1] The Statement will be reproduced in next week's issue.

a indicates the year of admission to the Institute.

aS indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

referred to in clause 34 of the supplemental Royal Charter:

Price, Philip John, A.S.A.A., *a*1959; with Butterworth, Jones & Co, 7 Castle Street, Bridgwater, Somerset.

F.S.A.A.

The Council acceded to an application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Abbott, Stephen Christopher Lee, F.C.A., *a*1948; Wenn, Townsend & Co, 30 St Giles', Oxford, and at Abingdon and Cirencester.

Adam, Cyril Louis Ignatius, A.C.A., *a*1958; Edward Moore & Sons, Thames House, Queen Street Place, London EC4.

Adams, Hubert Theodore, A.C.A., *aS*1954; *Kilby, Fox & Co, Drury Chambers, Market Square, Northampton.

Ball, Thomas, A.C.A., *aS*1952; 8 Athole Grove, Southport.

Bamford, Kenneth James William, F.C.A., *a*1939; John E. Bamford & Co, New Eldon Chambers, 50 Cherry Street, Birmingham 2, and at Exmouth and Handsworth.

Bartlett, Anthony Henry Peter, B.A., A.C.A., *a*1958; H. Bartlett & Co, 49 Queen Victoria Street, London EC4.

Beaver, David William, F.C.A., *a*1951; David Beaver & Co, P.O. Box 10, Southport

Bennett, Derek Clinton, A.C.A., *a*1960; H. F. Adams & Co, and E. Woolley & Co, Dilworth House, 190 Broad Street, Birmingham 15.

Biswas, Nani Gopal, A.C.A., *a*1958; N. G. Biswas & Co, 10 Steyning Way, London N12.

Blech, Neville Franklin, A.C.A., *a*1959; Neville F. Blech & Co, 133 Sandhurst Road, London NW9.

Boxall, Eric Richard, A.C.A., *aS*1953; 103 Albury Drive, Pinner, Middx.

Carter, David Alan, A.C.A., *a*1961; D. Alan Carter & Co, 4 Blenheim Street, New Bond Street, London W1, and 27 Claire Court, Woodside Avenue, London N12.

Clowes, Richard Norris Thyne, A.C.A., *a*1960; Hines & Clowes, Atlas Chambers, Lloyds Avenue, Ipswich.

Collier, Peter, A.C.A., *a*1958; H. Heywood & Co, Martins Bank Chambers, Park Green, Macclesfield.

Cornwell, Richard John, A.C.A., *a*1960; R. J. Cornwell & Co, 99 Chartridge Lane, Chesham, Bucks.

Coulter, John David, A.C.A., *a*1959; Peter Windle & Co, 117 Hagley Road, Edgbaston, Birmingham 16.

Cox, David Richard, A.C.A., *a*1960; Hull Daily Mail Buildings, Jameson Street, Hull, and at Cottingham.

Cruse, Robert James, A.C.A., *a*1958; Taper, Biggs & Co, 57 Palace Avenue, Paignton, Devon.

Down, Michael Kennedy, A.C.A., *a*1955; Edward Moore & Sons, Thames House, Queen Street Place, London EC4.

Frankland, Timothy Cecil, A.C.A., *a*1957; †Binder, Hamlyn & Co, 121 Queen Victoria Street, London EC4, and at Manchester.

Garden, John Anthony, A.C.A., *a*1957; *Saphir, Marks & Co, Berkeley Court, Baker Street, London NW1.

Grove, Peter Hulbert, A.C.A., *a*1958; J. Hulbert Grove & Co, 9 Cavendish Square, London W1.

Harrison, John, B.A.(COM.), A.C.A., *a*1958; Robert Archer & Co, and E. W. Walker & Son, Hollins Chambers, 64A Bridge Street, Manchester 3; also at Hyde, Robert Archer & Co.

Haydon, Terence William, A.C.A., *aS*1955; 63 Marlborough Road, Bexleyheath, Kent.

Hill, William, A.C.A., *a*1952; Sydenham, Snowden, Nicholson & Co, 27 Martin Lane, Cannon Street, London EC4 and at Hereford.

Holmes, David Gerald, A.C.A., *a*1958; Gerald Holmes & Co 1 Seaton Avenue, Mutley, Plymouth.

Hughes, Peter Brian, A.C.A., *a*1959; Lacy, Watson & Co, 85 St Petersgate, Stockport.

Jackson, Kenneth, A.C.A., *aS*1955; 40 Olive Crescent, Sheffield 12.

Lankester, Eunson John, F.C.A., *a*1950; A. C. Palmer & Co, Barclays Bank Chambers, College Street, Rushden, Northants.

Lawson, Kenneth, A.C.A., *a*1961; K. Lawson & Co, Main Road, Leverton, near Boston, Lincs.

Lever, Thomas James, A.C.A., *a*1961; T. J. Lever & Co, 4 Granville Park, Lewisham, London SE13.

Locke, Keith Harry, A.C.A., *aS*1956; *Kilby, Fox & Co, Drury Chambers, Market Square, Northampton.

MacIntyre, Robert Hamilton, A.C.A., *a*1956; MacIntyre Hudson & Co, Craig's Court House, 25 Whitehall, London SW1, and at Bedford.

Nelson, Bryan Hedley, A.C.A., *a*1960; L. E. Arrowsmith & Co, 23 Northumberland Square, North Shields.

Popplewell, Alfred, F.C.A., *a*1914; Popplewells, 'Brackendale', Lightwood Road, Buxton.

Porter, William Thomas, A.C.A., *aS*1923; 23 Coach Road, Warton, Carnforth, Lancs.

Potter, Terence John, A.C.A., *a*1960; Whitmarsh, Hore & Creedy, 1 Market Street, Tavistock, Devon, and at Launceston, Whitmarsh, Hore & Chadder.

Priestley, John, F.C.A., *a*1948; 60 Bridle Road, Pinner, Middx.

Pugh, Dillwyn James, A.C.A., *a*1960; Alfred S. John & Co, 29 Gelliwastad Road, Pontypridd.

Secker, Anthony Ian, A.C.A., *a*1960; H. F. Adams & Co, and E. Woolley & Co, Dilworth House, 190 Broad Street, Birmingham 15.

Shadrake, Donald Clive, A.C.A., *aS*1956; 9/10 Ye Corner, Chalk Hill, Oxhey, Watford, Herts.

Shankland, David, A.C.A., *a*1960; Alfred Shankland & Sons, 8 Park Grove, Cardiff, and at Barry.

Shannon, Martin John, A.C.A., *a*1958; Littleboy, Gillett & Co, and Hay McDonald & Co, 7 George Road, Edgbaston, Birmingham 15.

Siddons, Ernest George, A.C.A., *a*1960; 150 Clarence Road, Four Oaks, Sutton Coldfield.

Smith, Alfred Thomas, A.C.A., *a*1961; A. T. Smith, Wainwright & Co, 463 St Helens Road, Bolton, and at Royton.

Stratton, John Herbert, F.C.A., *a*1934; Laurel Bank, Wedmore, Somerset.

Trepte, Paul Norman, A.C.A., *a*1959; 5D Oxford Gardens, Ladbroke Grove, London W10.

Tunbridge, Frederic William, A.C.A., *a*1954; Harvey Preen & Co, Council Chambers, 109 Colmore Row, Birmingham 3, and at Bristol; also at London, Harvey Preen & Co, and Arthur D Saward & Co; Stratford-on-Avon, Newland & Co, and Yeovil, Harvey Preen & Co, and W. T. & L. Walters.

Walker, Colin Howard, M.A., A.C.A., *a*1959; Lawson & Walker, Cheapside Chambers, 43 Cheapside, Bradford 1.

Webb, Lawrence Albert, F.C.A., *a*1951; Luff, Smith & Co, Drayton House, Gordon Street, London WC1, and at 14 Ringwood Avenue, Finchley, London N12.

Admission to Membership under the Scheme of Integration

The Council acceded to an application for admission to membership of the Institute under clause 4 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Gerald Arthur Smith to Gerald Arthur Carey-Smith.

Resignations

The Council accepted the resignations from membership of the Institute of:

Barrett, Charles William, F.C.A., *a*S1927; 6 Orchard Road, Smallfield, Horley, Surrey.
Henderson, Robert Douglas, B.A., F.C.A., *a*1936; 19 Compayne Gardens, London NW6.
Round, Timothy Peter, A.C.A., *a*1955; c/o Global Tours (Aust.) Pty. Ltd, Melbourne, Australia.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Edgar Charles Anderson, M.B.E., F.C.A., Bramhall.
„ Clive Gault Benson, B.A., F.C.A., Montreal.
Mr James Alfred Chapman, F.C.A., Newport.
„ Horace Claude Dawson, F.C.A., London.
„ Ralph Thornton Dibb, B.COM., F.C.A., Pietermaritzburg.
„ Richard Dixon, F.C.A., Taunton.
„ Hugh Edward Hughes, F.C.A., Liverpool.
„ George Robert Lowe, F.C.A., London.
„ James Cecil Luckin, F.C.A., Chelmsford.
„ John Ormerod Melrose, F.C.A., Southport.
„ John Lawrence Milligan, F.C.A., Overton, Hants.
„ David Leslie Milne, F.C.A., New York.
„ Christopher Charles Paus, F.C.A., London.
„ Frederick Arthur Roberts, F.C.A., Surbiton.
„ John Lees Smith, F.C.A., Market Harborough.
„ Herbert John Thornton, F.C.A., Solihull.
„ Arthur Robert Tyler, F.C.A., East Grinstead.
„ George William Welch, F.C.A., London.
„ Walter Trafford Williams, F.C.A., Leigh-on-Sea.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on January 19th, 1962.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Aubrey Charles Gee, F.C.A., was by an Order of the High Court of Justice dated October 20th, 1961, adjudicated bankrupt, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Aubrey Charles Gee, F.C.A., had been proved and the Committee ordered that Aubrey Charles Gee, F.C.A., of Flat 1, 24 Hyde Park Square, London W2, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Redmond Bruce Gallagher being a clerk under articles to a fellow of the Institute was convicted at the General Quarter Sessions for the City of Birmingham held on September 4th, 1961, on Indictment for that he on a day between January 9th and April 6th, 1961, with intent to defraud forged a railway season ticket available for travel between Birmingham and Leamington Spa and also on April 6th, 1961, did utter the said railway season ticket, so as to render himself liable to be declared unfit to become a member of the Institute. The Committee found that the formal complaint against Redmond Bruce Gallagher had been proved and the Committee ordered that Redmond Bruce Gallagher, a clerk under articles, of The Chase, Blackdown, Leamington Spa, be reprimanded.

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on January 4th, 5th and 29th, and February 7th, 1962

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Anthony Henry Lloyd, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that he was employed by an organization which in its business as consultants or advisers in management, costing methods and business organization and administration offers its services by advertising, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Anthony Henry Lloyd, F.C.A., had been proved and the Committee ordered that Anthony Henry Lloyd, F.C.A., of 139 Stanley Park Road, Carshalton Beeches, Surrey, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

The Accounting Concept of Profit: an analysis . . . of the economic theory of income and capital; by P. Hansen. Kobenhavn. 1962. (Einar Harcks Forlag, presented.)
The Accounting Treatment of Work in Progress with Particular Reference to Long-term Contracts; by R. R. Anderson. (Johannesburg). 1962. (Transvaal Society of Accountants, presented.)
The American System of Practical Book-keeping . . .; by J. A. Bennett: twenty-fourth edition. New York. 1846. (Bonset, 34*s* 1*d*.)
Book-keeping and Accountancy for Solicitors; by P. Harrison and A. G. Hillman: second edition. 1962. (Butterworths, 50*s*.)
Cash Flow Analysis for Managerial Control: research report No. 38. (National Association of Accountants). New York. 1961. (N.A.A., $2.)

The Challenge of World Trade. (Canadian Institute of Chartered Accountants). Toronto. 1962. (C.I. of C.A., presented, $2.)
Data Processing Annual: punched card and computer applications and reference guide. (Gille Associates). Detroit. 1961. (G.A., 132s.)
The Elements of Income Tax and Profits Tax Law; by C. N. Beattie: fifth edition by C. N. Beattie and K. Wedmore. 1962. (Stevens, 35s.)
Experience with Return on Capital to Appraise Management Performance: a summary of practice. (National Association of Accountants). Accounting Practice Report No. 14. N.A.A. Bulletin, section 3. February 1962.
The Export Trade: the law and practice of international trade; by C. M. Schmitthoff: fourth edition. 1962. (Stevens, 65s.)
Factory Code Book . . . 1960. (Marshall Sons & Co). 1960.
The Growth of Public Expenditure in the United Kingdom; by A. T. Peacock and J. Wiseman. 1961. (O.U.P., 30s.)
Income Tax Principles; by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael: fifth edition. 1962. (H.F.L., presented, 12s 6d.)
Investment and Growth Policies in British Industrial Firms; by T. Barna. Cambridge. 1962. (C.U.P., 12s 6d.)
The Law of Real Property; by R. E. Megarry and H. W. R. Wade: second edition. 1959. (Stevens, 75s.)
Management Aids for the Smaller Company. (Canadian Institute of Chartered Accountants). Toronto. 1962. (C.I. of C.A., presented, $2.)
Management Principles: a primer for directors and potential directors; by W. Puckey. 1962. (Hutchinson, 21s.)
Maxwell on the Interpretation of Statutes; by P. B. Maxwell; eleventh edition by R. Wilson and B. Galpin. 1962. (Sweet & Maxwell, 70s.)
The Organization from Within: a comparative study of social institutions . . . ; by C. Sofer. 1961. (Tavistock Publications, 25s.)
Paterson's Licensing Acts; by J. Paterson: seventeenth edition by J. N. Martin. 1962. (Butterworth, 90s.)
Post-war Investment Location and Size of Plant; by P. S. Florence. Cambridge. 1962. (C.U.P., 12s 6d.)
Principles of the Law of Damages; by H. Street. 1962. (Sweet & Maxwell, 63s.)
Slater's Mercantile Law; by J. A. Slater: fourteenth edition by Lord Chorley and O. C. Giles. 1961. (Pitman, 30s.)
U.S. Master Tax Guide for . . . 1962 tax planning. (Commerce Clearing House). New York. 1961. (C.C.H., 26s.)
Volledige handleiding tot het dubbel of Italiaansche Koopmansboekhouden . . . ; by J. F. Fleischauer. Amsterdam. 1838. (Bonset, 34s 1d.)

Diamond Jubilee Dinner

Nottingham Society of Chartered Accountants

The diamond jubilee dinner of the Nottingham Society of Chartered Accountants was held at the Sherwood Rooms, Nottingham, on March 7th, with Mr E. Cross, F.C.A., President of the Society, in the chair. Among the 500 members and guests present were:

Mr P. F. Granger, F.C.A., President of the Institute; Sir Geoffrey Barnett; Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A.; His Honour Judge Sir Henry Braund; Mr L. T. Rouse, H.M. Inspector of Taxes; Professor F. A. Wells, O.B.E., B.SC.(ECON.), PH.D.; Mr P. F. Carpenter, F.C.A., Vice-President of the Institute; Mr T. Moore, Chief Constable of Nottingham; Mr T. J. Owen, Town Clerk of Nottingham.

Memorable

'Your role in the future will be even greater than in the past, and that is what makes this golden year dinner so memorable tonight,' said Judge Sir Henry Braund, proposing the toast of 'The Nottingham Society of Chartered Accountants and its President'. He went on:

'In 1903, thirty-five strong and virile chartered accountants met in this city to hold the first annual dinner of this Society. They faced a programme which consisted of nine courses, nine songs and musical skits, and twelve speeches. Don't think I'm complaining. There have only been seven tonight, including cheese and some other items. But I simply could not imagine what twelve chartered accountants, who were not even qualified for the bar, could have found to say to each other in twelve separate speeches.' (*Laughter.*)

Mr Cross responded to the toast and then presented a ciné camera and equipment to Mr Thomas Ashton, F.C.A., who recently retired as Secretary of the Society.

Professional Integrity

Sir Geoffrey Barnett proposed the toast of 'The Institute of Chartered Accountants in England and Wales'. Accountancy, he said, was a most respected profession – 'it advises on spending and fights inflation'. He continued:

'I have a very great regard and respect for the Institute. It has become a hall-mark of professional integrity in this country and throughout the world. We may be a small country, but we contribute much to business in the world, and nobody contributes more to this business than the accountancy profession. The community owes much to its members.

'I have to pay homage to your President. He has a great weight of responsibility in guiding your Institute of which he has been such a true son, and guiding it to greater strength so that it is regarded as a symbol of integrity and honesty throughout the business world.'

Development of the Nottingham Society

In the course of his response, Mr Granger said:

'In a way the development of the Nottingham Society is a microcosm of the development of the Institute. We have the men who took the lead in the early 1900s. H. E. Hubbart, Robert Mellors, S. P. Derbyshire and the first secretary, W. R. Hamilton, whose name will be remembered by one of his ex-articled clerks tonight. With the exception of W. R. Hamilton, all these three first Presidents are commemorated in the names of their firms which are in existence today. Going a little further on we have Durose, Leman, J. N. Derbyshire, Robert Rhodes, Stanley Blythen, and one who has recently left us, Sir Charles Pain.

'It may interest you to know that Robert Rhodes in January 1879 was earning £1 per week and he must have been doing well because he got a 4s rise on February 8th. Similarly, S. P. Derbyshire was in receipt of 20s per week but there must have been doubts about him because he was put up (in the wages book) to 28s and then crossed off back to 24s. Round about this time there is recorded the payment of 5s per week for thirteen weeks to one Nightingale Derbyshire.

'Going a little further back, to 1850, I find in Robert

Mellors' account book that at the age of 15 he started his working life by buying a cup and saucer for 1½*d*, a sugar box and comb for 2½*d*, the *Family Herald* for 3*d*, and acid drops and an orange for 1½*d*; his lodgings and sundries cost him rather less than 2*s* 6*d* per week. His total expenses from March 18th, 1850, to March 12th, 1852, were £15 7*s* 10¾*d* and against this he received £3 18*s* in wages and £11 7*s* 10¾*d* from his father. So much for the early days of a young man 112 years ago . . .

'I must now apologize for sounding egotistical but without the constant help and support that have been afforded to me by members of this Society, in full measure, I could not have been here as President today. I cannot say more than "thank you" for constant help when I was secretary in the early thirties, and President of the Nottingham Society, and over the last twelve years or so as your Council member. No one could have had more loyal support.' (*Applause.*)

Sir Harold Howitt, who proposed the toast of 'The Guests', mentioned that he entered articles two years after the formation of the Nottingham Society in 1902, and said it was a great joy to attend the dinner 'back on my old native ground of Nottingham of which I'm so proud'.

Mr L. T. Rouse, responding, said that all over the country relations between chartered accountants and inspectors of taxes were good, and added: 'But I can say most sincerely that in no place I have been have relations been better between the profession and the Revenue, than in Nottingham.'

Mr John Hill, presenting a silver salver to Mr Granger, referred to his great work for accountancy in the area and now he had reached 'the highest honour of his chosen profession'.

The evening ended with a toast to Mrs Granger.

Responsibilities of the Professional Man

Birmingham Chartered Accountants' Annual Dinner

A professional man's only justification for existence is that he should serve the community, and the better his background, the greater should be his responsibilities, said Mr Frank Blennerhassett, a Birmingham barrister, at the annual dinner on March 8th of the Birmingham and District Society of Chartered Accountants. The President of the Society, Mr C. J. Mason, F.C.A., was in the chair and there was a very large attendance.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr Blennerhassett said that the phrase 'the future and health of the Institute' could be and should be much more than a meaningless convention. The object of the Institute, he said, was to encourage all that was finest in professional life and condemn all that was bad. 'On that fundamental principle, on which the existence of your Institute depends, I should like to dwell for a moment,' he went on.

'Your Institute will not this year be the same as it was last year. It will be a little bit better or a little bit worse. Whether it is better or whether it is worse depends only to a limited extent on the officers who govern the Institute, because no institute can be better than the sum of all the individual members. It is right that we should think of it not as some body to which we owe allegiance, but as a body which is the culmination of the individual members.

'The only justification a professional man has for his existence is that he serves the community of which he is a member. I feel that because of his background and the opportunities that may have arisen for him in life, he probably owes a greater duty and has a heavier responsibility to the community than the man whose circumstances have been otherwise.

Challenging Age

'We live in an age in which our standard of living has never been higher. We should ask ourselves whether we have raised the standards by which we are living. I don't know of any time in history when it was more important than it is now to seek out and hold on to those things which matter most in life.

'In this day and age, most people seem impotent, unable to do anything about the course which events are taking. They feel that the weight of their opinion is so small that they can make no contribution. We in this country feel that we are living in a time in which we are no longer taking a leading part in world affairs. That is no reason why we should lower our standards of honesty and integrity, or lower our standards of industry and justice. The circumstances in which we live should, rather, be a challenge. We should appreciate the tremendous influence we can bring to bear if we make the effort to do so.'

Wide Fields

Replying, Mr P. F. Granger, F.C.A., President of the Institute, said that one of his jobs as he went up and down the country was to talk to the students. He thought Birmingham was fortunate in having a first-class group of young men coming along; some 200 of them had been very impressive in a recent 'free-for-all' discussion. Continuing, he said:

'I would like to make some remarks about this Institute of ours and the members of it. We are now some 35,000 in number and the members impinge on all aspects of life – business, professional, civic, Government and otherwise. So wide are the fields of our activity today that the problem for the young man or woman after qualifying is to know what line of country to enter. He or she can remain in the profession for one year or so, or for good; or elect for industry or business, or Government service, or go abroad. The point I am making is that our qualification has world-wide significance, but as in all walks of life, there is a debit for every credit, and therefore the possession of it carries its responsibilities. We are, in whatever capacity we earn our daily bread, dedicated to facing facts and from those facts, if linked with values, it is our job to give the true and fair view. It is not always easy to find the truth, as we all know, but it is our job as members of a great profession and Institute to find it if we can, at whatever cost.

'In order to carry out our job, particularly in view of the prospect of the Common Market, we must recruit the very best young men and women we can get, and this means, I suppose, that as more and more of the abler element go to the universities, we must – and it is essential that we should – recruit more and more from there. In so doing I am aware that we are competing with all other employers who want the best. At the moment we are recruiting some 3,000 articled clerks per annum, but the proportion from the universities is not as high as we should like it to be.'

Mr Granger went on to refer to the committee recently formed to look into the whole question of relations with the universities, and said that the committee had already started on its work. He stressed that there was no foundation in the idea that the Institute was not interested in graduates as articled clerks.

Valuing Stock-in-trade

Turning to the valuation of stock-in-trade, Mr Granger said:

'One of our problems, and it is a general problem, relates to the valuation of stock-in-trade and work in progress. We cannot obtain a true and fair view of profit without considering in some detail the quantity and basis of valuation of stock both at the beginning and end of the accounting period. The Council is about to issue as one of our series of statements on auditing, that relating to stock-in-trade and work in progress. I hope all members will take due note of what is written. It is not an easy problem and of course the Revenue are concerned as well. We have taken a great deal of trouble and there has been much heart-burning over the document.'

Continuing, the President said that the past year had been a 'lively period' for the Institute, and said:

'At the present time we are considering the report of the Parker Committee on Education and Training for the Profession and also we are just getting in the reports from the district societies on the problems of the small practitioners. I would like to pay my tribute to the self-effacing work which has been carried out by the presidents, committees, sub-committees and secretaries of the district societies in dealing with these reports. We have, at Moorgate Place, received a lot of information which the District Societies Committee will have to consider and then the Council. I am very hopeful that arising out of this inquiry, our members (and wherever, and however remote they are, they are our members) will feel that we are doing our best at headquarters to see that we can help them.'

In conclusion, Mr Granger spoke of the appeal being made on behalf of the Chartered Accountants' Benevolent Association by Sir William Carrington, F.C.A., President of the Fund. 'I do hope all members will take notice of this appeal and subscribe,' said Mr Granger. 'Our scale of relief is what is appropriate and right for a great profession like ours but it can only be maintained if the members assist us.'

The toast of 'Our Guests' was proposed by Mr C. J. Mason, and Professor A. L. d'Abreu, O.B.E., CH.M., F.R.C.S., Dean of the Faculty of Medicine at Birmingham University, responded.

There was a new departure this year in that the toast of 'The City of Birmingham' was given and acknowledged only formally. It was proposed by Mr Mason, and the Lord Mayor, Alderman Eric E. Mole, O.B.E., J.P., replied.

Notes and Notices

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at 55 Moorgate, London EC2, at 2.15 p.m. on Wednesday, March 28th.

PROFESSIONAL NOTICES

MESSRS D. W. COATES, WEST, GRIMWOOD & Co, Chartered Accountants, of London, Cardiff and Swansea, announce with deep regret the death, on March 13th, of Mr W. P. GRIMWOOD, F.C.A., who has been one of their senior partners since the formation of the firm.

MESSRS ERNEST T. KERR & Co, Chartered Accountants, of Birmingham, announce that Mr C. R. COOKE, F.C.A., is retiring from the firm, which will be carried on under the same name by Mr E. LORD, F.C.A.

MESSRS LUCKIN & SHELDRAKE, Chartered Accountants, of Waterloo Chambers, Chelmsford, regret to announce the death, on March 3rd, of Mr JAMES CECIL LUCKIN, F.C.A., who had been a partner in the firm since July 1st, 1907.

Appointments

Mr D. H. A. Down, F.C.A., has been appointed to the board of Godfreys Ltd.

Mr A. R. H. Mullett, F.C.A., has been appointed a director of Midland Bright Drawn Steel and Engineering Co Ltd.

Mr Victor S. Smith, A.A.C.C.A., accountant to the Royal Dublin Society since 1945, has been appointed registrar of the Society.

Mr J. A. Soar, F.C.A., has been appointed financial director of Gilbarco Ltd; he continues as company secretary.

DOCTORS' AND DENTISTS' REMUNERATION

Chartered Accountant Appointed a Member of Review Body

Sir Archibald Forbes, G.B.E., C.A., has been appointed a member of the Review Body which is to advise the Government on the remuneration of doctors and dentists. Mr J. H. Gunlake, C.B.E., F.S.S., F.I.S.,

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President of the Institute of Actuaries, has also been appointed a member.

The Review Body, which is under the chairmanship of Lord Kindersley, has been set up by the Government in accordance with the recommendations of the Royal Commission, under Sir Harry Pilkington, on the remuneration of doctors and dentists.

EASTERN TOUR

Mr Percy F. Hughes, Editor-in-chief of *The Accountant*, and Chairman of Gee & Co (Publishers) Limited, accompanied by Mrs Hughes, has recently returned from a visit to Israel, Iran, Pakistan, India and Ceylon, having met accountants and Inland Revenue officers in those countries.

A flower garland welcome for Mr Hughes on his arrival in Bombay.

Mr Hughes discussed with officials of the various accountancy bodies the particular problems that are faced by the profession abroad and gave a number of lectures in India. In particular he was asked to inaugurate a refresher course for accountants in Calcutta and gave the opening address on the subject of *The Accountant* Annual Awards. In Madras he spoke to members of The Institute of Chartered Accountants of India in that city and visited premises which on completion will be occupied by the South Eastern Region of The Institute of Chartered Accountants of India. Among leading members of the profession in Madras, Mr Hughes met Mr P. Brahmayya, Vice-President of the Indian Institute, and Mr S. Viswanathan. In Bombay Mr Hughes was privileged to meet Mr S. N. Desai, President of The Institute of Chartered Accountants of India, and Mr N. Mody, a Past-President of the Indian Institute. He met also Mr B. L. Shah, of Charles Lambert & Co, the leading accountancy booksellers in India; our photograph shows Mrs Shah presenting a garland of roses to Mr Hughes.

Later, Mr Hughes travelled to Pakistan and in Karachi attended a reception given by Mr I. B. Wilson, F.C.A., Chairman of the Karachi Regional Committee, The Institute of Chartered Accountants of Pakistan, at which he met a number of practitioners both European and Pakistani, including members of the Council of The Institute of Chartered Accountants of Pakistan. He also visited Colombo, where he had discussions with the Income Tax Committee of the Ceylon Chamber of Commerce.

On the outward journey, Mr Hughes met Dr Aaron R. Rojansky, President of the Association of Certified Public Accountants in Israel, and in Tehran he discussed the state of the accountancy profession in Persia with leading members of the profession there; he also had a meeting with representatives of the Central Board of Finance.

REPORT ON MONOPOLIES AND RESTRICTIVE PRACTICES ACTS

The Board of Trade's annual report on the operation of the Monopolies and Restrictive Practices Acts, 1948 and 1953[1], was published this week. The report includes a summary of the work and expenditure of the Monopolies Commission during 1961.

APPOINTMENT OF ASSISTANT OFFICIAL RECEIVER

Mr Francis Durkin has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Newcastle upon Tyne, Carlisle, Durham, Sunderland and Workington and Cockermouth; and also for the Bankruptcy District of the County Courts of Stockton-on-Tees, Darlington, Middlesbrough and Scarborough. The appointment took effect on March 12th, 1962.

INTERNATIONAL FISCAL ASSOCIATION

Mitchell B. Carroll Prize

The International Fiscal Association which has as its object the study of international fiscal law, and which instituted the Mitchell B. Carroll Prize awarded annually for the best monograph submitted, has announced that the award will now be open not only to candidates dealing with a special subject set each year by the Association, but to all those whose work, whatever its actual subject, makes a theoretical or practical contribution to the study of the effects of taxation, whether it concerns the effects of international taxation or comparative tax laws.

The prize is to be awarded for a typewritten or printed paper devoted to international taxation or comparative tax law. In even years (1962, 1964, etc.) it will be awarded for a work of a legal nature and in odd years (1963, 1965, etc.) for one of an economic character. All persons under 35 years of age on July 31st of the year in question may compete, whether or not they are members of the Association.

The closing date for entries, which should consist

[1] H.M.S.O. Price 8*d* (by post 10½*d*).

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of seven copies, is April 1st. Further details about the prize may be obtained from the General Secretariat of the Association, Nationale Handelsbank Building, 250 Singel, Amsterdam, Netherlands, or from the secretary of the United Kingdom Branch, Mr D. L. Main, F.C.A., 9 Basinghall Street, London EC2.

NORTH YORKSHIRE AND SOUTH DURHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY

First Annual Dinner

The first annual dinner of the North Yorkshire and South Durham Chartered Accountant Students' Society was held on March 2nd at the Corporation Hotel, Middlesbrough. The President of the Society, Mr R. W. Swinbank, F.C.A., presided over the company of more than one hundred members and guests who included Mr C. U. Peat, M.C., M.A., F.C.A., a member of the Council and a Past-President of The Institute of Chartered Accountants in England and Wales; Mr J. H. Elringham, M.B.E., T.D., B.COM., F.C.A., President, North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants, and representatives of the Northern and Cumberland Students' Societies.

Mr Peat, proposing the toast of the Society, said that the students' society could exercise great power by advancing ideas to improve the profession and help recruitment. Our work is always expanding, he continued, and we are moving into exciting new fields, particularly in the realm of management accounting.

During the course of the evening Mr Peat presented the Peat Prizes in respect of the Institute's examinations held in November 1960 and May 1961 to Messrs G. R. Belshaw, J. H. Murray, R. Peacock and R. E. W. Shawcross. Mr Swinbank expressed appreciation of Mr Peat's generosity in introducing the prize fund and for presenting the first awards.

The toast of the guests was proposed by Mr M. G. Rider, honorary secretary of the Society, and Mr F. Scarbrough, Northern Area Training Officer, British Iron and Steel Federation, responded. The Dinner Committee consisted of Messrs J. A. T. Tuddenham, A. Lightfoot and A. F. Ritchie.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

Mr John Doggett (Inland Revenue Solicitor's Office) will give an address on 'The responsibility of the Christian professional man today', at 6 p.m. on Wednesday next, March 21st, in the Oak Hall of the Institute, Moorgate Place, London EC2. All who may be interested will be welcome.

MANAGEMENT ACCOUNTING COURSES

Two two-day courses designed to examine the basic features and processes of planning and control as applied to business will be held in London on March 27th and 28th. They will be repeated in Manchester on May 1st and 2nd. Subjects will include integrated planning and control, long-term planning, and control of financial policy. Speakers will be Mr S. V. Bishop, M.C., F.C.A., Mr A. W. H. Lamond, B.L., C.A., F.I.O.M., M.B.I.M. and Dr James M. S. Risk, B.COM., PH.D., F.C.I.S., F.B.I.M.

Further particulars, together with the full list of courses for the spring session, may be obtained from Management Courses Ltd, 8 St George's Terrace, London NW1.

MIDLANDS MANAGEMENT CONFERENCE

'Better management decisions' will be the subject of this year's Midland Management Conference to be held at Leamington Spa, Warwickshire, from March 29th–30th. Organized by the British Institute of Management, the conference will examine some of the key factors and latest aids and techniques for the improvement of decision making.

Among papers to be presented are 'Decision making by top management for maximum profitability', by Mr J. G. Cookson, F.C.A., manager, management services group, Courtaulds, Ltd; 'The delegation and co-ordination of decision making – a case study', by Mr S. V. Bishop, M.C., F.C.A., plans and controls co-ordinator, Massey-Ferguson Ltd, and 'Capital budgeting decisions', by Mr A. E. Halford, O.B.E., of Associated Electrical Industries Ltd.

Further details of the conference may be obtained from the conference secretary, British Institute of Management, 80 Fetter Lane, London EC2.

ANNOTATED TAX CASES

Part 8 of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *E.Y.L. Trading Co Ltd v. C.I.R.* (Ch.D.); *In re Latham* (Ch.D.); *In re Matthews' Will Trusts* (Ch.D.); *Winter* (*Sutherland's Trustees*) *v. C.I.R.* (H.L.); *C.H.W.* (*Huddersfield*) *Ltd v. C.I.R.*; *Spencer & Garside v. C.I.R.* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50*s* post free; the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

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THE
ACCOUNTANT
ESTABLISHED 1874
MARCH 24TH, 1962 VOL. CXLVI. NO. 4553

The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

CONTENTS

	Page
Auditing Stock-in-trade	345
The Scottish Institute in 1961	347
Marriage Settlements – With a Difference by *K. Buckley Edwards*	348
Taxation and the Professional Man – II by *D. S. Morpeth, B.Com., A.C.A.*	350
The Accounting World	353
The Institute of Chartered Accountants in England and Wales Statements on Auditing: 2 – Stock-in-trade and Work in Progress	355
Weekly Notes Balancing the Account – Helping the Ratepayer – Retail Price Index under Scrutiny – Cost Consciousness – The Small Investor . . . and Wider Share Ownership – Capital Dividends from Abroad – Trade in Shares – Activity in Machine Tools	359
This is My Life . . . by *An Industrious Accountant*	363
Finance and Commerce Trinidad Sugar Estates Ltd – City Notes – Rates and Prices	364
Taxation Case British Commonwealth International Newsfilm Agency *v.* Mahany	367
Reviews	368
Notes and Notices	370

Auditing Stock-in-trade

THE problems which arise in connection with the valuation of stock-in-trade and work in progress are perennial and it is understandable that if, on occasion, the directors and officials responsible encounter difficulties therewith, then the auditor, with more academic but less technical knowledge, must sometimes be in a dilemma when satisfying himself that the definitions and degrees of value decided upon by the management are both equitable and consistent. It is fitting, therefore, that the Council of The Institute of Chartered Accountants in England and Wales, in its new series of statements on auditing, should turn its early attention to the auditor's duty with regard to stock, and its carefully considered and expressed views should help to crystallize the thoughts of many practitioners without as yet much experience in this, normally, the trickiest of all verification tasks.

The design of the Council's statement – which we reproduce elsewhere in this issue – is straightforward. In the opening section, it defines the general duty of an accountant, in his capacity as auditor, as being to arrive at 'an independent professional opinion' as to the extent to which directors, when presenting the accounts of a company to its shareholders, have complied with the relevant requirements of the 1948 Companies Act. Within this framework, the directors' responsibilities with regard to stock-in-trade and work in progress are to see that all quantities have been properly accounted for; that the quality has been accurately appraised; and that the bases of valuation selected are suitable to the circumstances. In turn, the auditor must ascertain the procedures of stocktaking and valuation adopted; decide if these procedures are appropriate; and test the degree of competence with which they have been applied in arriving at the totals.

The major part of the Council's statement thereafter is devoted to explanations as to what the auditor should do to satisfy himself on these three counts although few comments are necessary on the first. If the company issues written instructions on stocktaking procedure, the auditor should obtain or see a copy. If it does not, he should inquire as to what oral instructions are given or if a regular routine is followed each year, and make appropriate notes.

Thus equipped, the auditor may then go on to consider whether the procedures adopted by the company are sound. The Council straightway makes the excellent point that it may well be to everyone's advantage if such an appraisal can be made 'well in advance of the balance sheet date'. Suggested improvements, if implemented at once, can then help both the company and the

auditor. Among the instances which the Council gives as relevant is that of a company with a system of continuous stock records. The more demonstrably efficient these are and the more regularly and systematically are the physical quantities checked against them, the more accurate is the end of the year stocktaking likely to be. This in itself saves the company trouble and expense and also relieves the auditor of much of the burden of subsequent testing.

Another difficulty which may be surmounted by a preliminary examination – this time of the costing system in operation – is the value to be placed on work in progress. It is clearly desirable that the costing and financial records should be reconcilable if costing data is used for evaluating the work in progress element of the stock totals included in the financial accounts; among the other points which may similarly be defined beforehand in this connection are the relationship between materials used and output achieved, how the provisions made for scrapping and rectification are reflected in the records and how any elements of overhead and profit included are treated.

The Council also advises the auditor to ensure in the course of his preliminary survey of procedures that the 'cut-off' arrangements are adequate, that is, that:

> '. . . at the relevant point of time there is complete accord between the physical stock which is brought into account, the records of the physical movement of stock and the related financial records of purchases and sales and of debtors and creditors'.

Lack of liaison between departments – or rather the absence of a system which makes liaison impossible – is usually the cause of errors of this nature. These can have serious consequences at stocktaking periods and the four searching questions which the Council puts are designed to minimize this risk.

The last – and longest – part of the Council's statement outlines the audit tests to be planned and carried out in the light of the conclusions arrived at from the preceding appraisal of the client's procedures. Nothing of consequence appears to have been omitted from this comprehensive recital of techniques which, to the conscientious practitioner, will come as no more than a welcome refresher. To the other kind of practitioner (and there are, regrettably, still many), who does nothing more than have the stock sheet extensions and additions checked and then obtains from the client a certificate of the 'audited' total, it should certainly come as a salutary revelation. Much water has flowed past the Kingston Cotton Mills in the last sixty-six years and the celebrated words of the presiding judge in the immortal case connected with that concern are no longer fully definitive of the auditor's duties with regard to stock. Case law, in this instance, has been replaced by statute law in the form of the 1948 Companies Act and, additionally, as the Council points out, practitioners must also be aware that much higher levels of accounting and auditing standards now exist.

Apart from verifying the value placed on work in progress, perhaps the most difficult task confronting the auditor when checking stocks is satisfying himself that due provision has been made by the management for defective, redundant, obsolete and unduly slow-moving goods. If he attends to observe stocktaking or makes an intelligent perambulation of the stores during the audit (interim as well as final), he is often able to notice examples of physical deterioration in parcels of items, but in the more subtle cases of obsolescence through changes in invention or fashion, and redundancy through undue stock-piling, neither physical inspection nor, beyond certain limits, comparison with past records or the calculation of trading ratios will prove completely effective. This is a matter where consultation with management as to its policy – again before the balance sheet date – is highly desirable. Further, clients should be encouraged to use the stock-sheets themselves not as a mere catalogue of parts, prices and extended values but as a guide to the nature and contents of his stock by recording as much helpful detail as possible. The Council's statement does refer to these points but their importance in arriving at a realistic stock total cannot be too often or too strongly emphasized.

Nothing is more challenging to the auditor than a set of stock-sheets in which he senses something wrong whether the cause is incompetence, carelessness or criminal intent. The Council's statement, expressed as always with care and clarity, offers humane encouragement to – if we may combine two famous dicta by LORD JUSTICE LOPES and MR CYRIL CONNOLLY – the bloodhound imprisoned in every watchdog wildly signalling to be let out.

The Scottish Institute in 1961

HAVING once evolved a satisfactory design for a set of financial accounts, there is a tendency to accept it as a permanency. This year, the Council of The Institute of Chartered Accountants of Scotland has commendably resisted the temptation to follow a well-established pattern and has recast its income and expenditure account in order to place more emphasis on the cost of the various activities of the Institute. Proportions of 'administrative expenses' and 'establishment charges' have been allocated to the two other main expenditure headings – 'library and publications' and 'recruitment, training and examination of apprentices' – so that members, aided by four accompanying schedules, may now see precisely where the money goes. In 1961, for example, the administration costs accounted for 30 per cent of the Institute's total income of £66,000 and the instruction of apprentices for another 28 per cent. After other expenses, which include the non-recurring item of £8,207 (12·5 per cent) for putting its house in order structurally, the modest surplus of £4,322 (6·5 per cent) is added to the Institute's general funds, now standing at £125,939.

It is evident from the encouraging examination results that the new syllabus with the academic year as its centrepiece is proving a success. The examinations are now divided into five annual parts and are held each year in the spring and the autumn, the latter diet being primarily a second chance for those candidates who fail in the spring. In 1961, the percentage of spring passes in each part was higher (in some cases considerably) than that of the subsequent autumn passes. It is interesting to note also that – with the prospect of the academic year as an incentive? – well over 80 per cent of the candidates who sat Parts I and II passed either the spring or autumn diet. The corresponding percentage passes in Parts IV and V were 64 and 52 respectively. At December 31st, 1961, the total number of indentures registered was 1,947. This was 136 fewer than a year earlier but, on the other hand, the actual number registered in 1961 was 358, as compared with 273 in 1960, which suggests that the continuous decline since the record of 423 in 1958 has been arrested. Despite these fluctuations at one end of the pipeline, however, the membership of the Institute continues to increase steadily year by year and, at December 31st, 1961, was 7,075 as compared with 6,823 at the end of 1960.

A perennial and important part of the Institute's cultural activities consists of giving evidence and submitting memoranda to Government and other bodies on a comprehensive range of subjects within its sphere. The usual submissions were made to THE CHANCELLOR OF THE EXCHEQUER on the Budget and to the Board of Inland Revenue on points arising from the Finance Bill, 1961. Evidence, both written and oral, was given during the year to the Robbins Committee on Higher Education and information was supplied to the Wheatley Commission on the Teaching Profession. The Special Committee on Share Transfer Procedure made various suggestions to the London Stock Exchange and the Council, in co-operation with The Law Society of Scotland, approved for publication, subject to discussion with the Accountant of Court, a draft statement on the future of accounts of charge and discharge.

Inclining more to the social side but valuable for the exchange of ideas and the furtherance of friendship which such gatherings promote, were the ninth summer school at St Andrews University and the Institute dinner in Glasgow. Going further afield with similar objectives, representatives from the Institute travelled during the year to Canada, Switzerland, Denmark and the Netherlands to attend functions held by other accountancy bodies. At the Glasgow dinner, THE PRESIDENT announced that a European Congress of Accountants would be held in Edinburgh, in September 1963, at which the Institute, as the oldest existing accountancy body in the world, would be the host.

Rounding off the record of a busy and successful year, the Council makes a special plea for the greater support of The Scottish Chartered Accountants' Benevolent Association. Less than one member of the Institute in seven at present contributes to its funds, the demands on which grow more exigent each year.

Marriage Settlements – With a Difference

by K. BUCKLEY EDWARDS

A MARRIAGE in the family has been regarded for generations as a suitable occasion upon which to transfer part of the family fortune to the younger generation, but only within the last century have the reasons for such a transfer been reinforced by estate duty considerations. Now, a marriage settlement or marriage gift enjoys substantial advantages under the revenue law, for subject to qualifications relating to the settlement or gift and the time when it is made, estate duty on the slice of capital transferred will be saved even though the settlor or donor dies immediately afterwards.

Normally, by virtue of section 2 (1) (*c*) of the Finance Act, 1894, a settlement or gift becomes liable to estate duty on the death of the settlor or donor within five years, but section 59 (2) of the Finance (1909–10) Act, 1910, takes gifts which are made in consideration of marriage out of 'the five-year rule'. It provides that:

> 'So much of paragraph (*c*) of subsection (1) of section 2 of the Principal Act and this section as makes gifts *inter vivos* property which is deemed to pass on the death of the deceased shall not apply to gifts which are made in consideration of marriage.'

According to the generally accepted view, however, the exemption does not apply to all gifts made in consideration of marriage, but only to gifts *inter vivos* in respect of which liability would otherwise arise on the donor's death within five years under section 2 (1) (*c*) of the Act of 1894. There is thus no exemption under this head where a settlor reserves to himself a life interest, or where a father having an interest for life in certain property releases it, upon his son's marriage, in order to accelerate the son's reversion, for in each of these cases there is liability apart from the liability in respect of *inter vivos* gifts imposed by section 2 (1) (*c*).

Conditions Precedent

The gift or settlement must be made before the marriage and in contemplation of it; or immediately after it (which means on the day of the marriage) and in consideration of it; or at any time after the marriage but in pursuance of an agreement made prior to it. Accordingly, a purely post-nuptial settlement is not made in consideration of the marriage, but it is not uncommon for the parties to make an agreement before marriage (sometimes referred to as 'marriage articles'), and at a date subsequent to the marriage to execute a settlement carrying into effect the trusts referred to in the articles.

There seems to be some doubt as to who can make a marriage gift or settlement. Clearly the parties to the marriage can, and the Inland Revenue concedes that gifts by the parent or grandparent of either party to the marriage qualify for exemption. In *Shadwell v. Shadwell* ((1860) 9 C.B. (N.S.) 159) the donor was the uncle of the husband, and aunts would appear to be in no different category. It is at least arguable, in the absence of much judicial comment on the point, that the rule extends not only to near relatives, but to any person who has a genuine interest in seeing the marriage established, such as an employer, god-parent or personal friend.

'In Consideration of Marriage'

Until the recent case of *Rennell (Lord) v. C.I.R.* ([1961] 3 All E.R. 1028) it was not entirely certain how far a marriage settlement might confer benefits on persons other than the husband, wife and future children of the marriage (who are all said to be 'within the marriage consideration') and still qualify for exemption. In practice, a gift to grandchildren in the event of the death of a child at an early age leaving issue, or an ultimate gift over to some collateral relative in the event of the husband and wife failing to have issue who attained a vested interest, was unlikely to disqualify the settlement. On the other hand, a gift of capital to the children of either husband or wife by a previous marriage was likely to take the whole, or at least a proportionate part, of the settled property out of the exemption. This was the effect of the decision in *Attorney-General v. Jacobs Smith* ([1895] 2 Q.B. 341) where the Court held that the consideration of marriage extended only to the husband and wife and children of that marriage. But this decision was given before the enactment of section 59 (2) of the Act of 1910.

Facts in Lord Rennell's Case

On March 20th, 1956, a settlement was made between a father, his unmarried daughter, her intended husband and trustees. It recited that a marriage was shortly intended to be solemnized

between the daughter and her intended husband; that it had been agreed that the husband should settle property in manner provided by a deed of even date, and that the father had agreed to make the settlement in question. The settlement was stated to be made in execution of the agreement and in consideration of the intended marriage. The operative part provided for a 'specified period' which began with the solemnization of the marriage and ended on a date selected so as to fall within the perpetuity period (see section 164 of the Law of Property Act, 1925).

The trustees were directed by the settlement to hold the capital and income of the trust fund upon discretionary trusts for a large class which included the daughter, her husband and their issue, the settlor's other children and their issue, and every other person who should at any time have intermarried with any of the issue. From and after the end of the specified period the trust fund was directed to be held on trust absolutely for the issue of the father then living, and if more than one in equal shares *per stirpes* with an ultimate gift in favour of the daughter's personal representatives. At the date of the settlement the father had six children living. Since the daughter's marriage the trustees had paid to her as income £4,290, and had paid to her eldest brother £18,330. Other objects of the discretion had received income payments similar to those received by the daughter.

On the settlor's death on March 3rd, 1959, the Crown claimed estate duty under section 2 (1) (*c*) of the Act of 1894 on the settled trust fund as being a gift *inter vivos* made by the settlor within five years of his death. It contended that the gift was not exempt from duty under section 59 (2) of the Act of 1910, since it was made on the occasion of the daughter's marriage rather than in consideration of it; and alternatively, that the settlement could not in law be a gift in consideration of marriage, since the parties to the marriage consideration did not take the whole of the otherwise taxable property. Buckley, J., had found for the trustees and the Crown appealed.

The Judgment

In the Court of Appeal, Lord Evershed, M.R., said there were two classes of marriage settlements: (i) a settlement made upon the settlor's own marriage, and (ii) a settlement made upon the marriage of someone else, usually one of the settlor's children.

In each case the beneficial interests might be confined to persons within the marriage consideration (husband and wife and their issue) or they might extend to or be exclusively in favour of 'volunteers' (persons outside the marriage consideration). Before the Act of 1910 the only case in which property settled upon a marriage settlement would be regarded as free from duty if the settlor's death occurred within the relevant time was a settlement by a settlor upon his own marriage in favour of persons within the consideration of that marriage. Section 59 (2) of the Act of 1910 was passed in the light of that circumstance.

In the present case the settlement had, in fact, been made in consideration of the daughter's marriage, and if the marriage had not taken place the settlement would not have been made. But the opportunity had been taken (somewhat unusually) to include in the marriage settlement beneficiaries outside the marriage consideration itself, and that raised the question of law as to whether the inclusion of 'volunteers' was fatal to the exemption contained in section 59 (2).

In *Cape Brandy Syndicate v. C.I.R.* (12 T.C. 358; 1 A.T.C. 293) Rowlatt, J., had said that 'in taxation you have to look simply at what is clearly said'. The words of section 59 (2) were perfectly clear and provided that the taxing statutes 'shall not apply to gifts which are made in consideration of marriage' – not merely gifts made *wholly* in consideration of marriage. The test propounded by the subsection was whether a gift was 'made in consideration of marriage' and there was no compelling reason for limiting the exemption to the case where the parties to the marriage were to take the whole of the settled property.

Conclusion

This decision, unless reversed by the House of Lords, or nullified by fresh legislation, will clearly give a fresh impetus to marriage settlements, which have tended of late years to give way to out-and-out gifts and settlements made on children while still in their infancy. In the case under review, although the settlement was made in consideration of the daughter's marriage, the income payments received by the daughter (and by other objects of the discretion) were less than one-quarter of the sums received by the eldest brother, who was the largest beneficiary. It is clearly an easy way of getting rid of the 'five-year rule' provided, of course, there is the convenience of an impending marriage and the decision of the Court of Appeal still holds good. Indeed, it was remarked by the Master of the Rolls that 'there may be hundreds of solicitors who are likely to follow (the) example.

Taxation and the Professional Man – II

by D. S. MORPETH, B.Com., A.C.A.

Service Companies

I SHOULD like now to say a few words about service companies.

The idea of a service company is that of using a corporate body to provide office services, premises, staff, pay salaries, act as secretaries, etc. for the professional firm. Most professional bodies now permit the use of these under certain safeguards and conditions.

The shares in the service company are held either by the partnership or by the partners individually. It carries out the functions for which it was intended, earning a profit for so doing. This profit is subject to income tax and profits tax if over £2,000. The partnership must, in the initial stages, of course, finance the expenses of the company, so that there is normally a debt due by it to the partnership. The object is to accumulate some profits free of surtax which can be retained in the partnership as working capital or help towards paying out retiring partners. Since, however, the partner retiring is usually a senior partner, he will have accumulated a good deal more than his junior partners, and this could well increase financial difficulties where the money is being utilized as working capital. If not, it could be invested by the partnership to provide a retirement fund. There are several pitfalls in the operation of such a company which can reduce its advantages considerably. If not carefully set up, the Revenue can attack it from several directions, as follows:

1. *Amount of the profit charge made on the partnership.* The Revenue argue that such charge must be reasonable or they will attack it under section 137, Income Tax Act, 1952, and try to disallow at least a proportion in the partnership computations. The company must not, therefore, try to make more than a profit which is commercially reasonable, having regard to the circumstances.

What is commercially reasonable in the circumstances is a question for argument. The Revenue tend to look both at the partnership and the company together, saying that the company does not require finance as it is subsidized to the extent of its expenses by the partnership and is taking no commercial risks. I am sure that the more steps are taken to put the company on a proper commercial basis, as if it were acting on an arm's length basis, including a contract for, say, a five-year period, the stronger are the arguments against any Revenue attack. A great deal depends on the circumstances, but the Revenue have in some cases argued for a profit as low as 7½ per cent of the expenses, and in others accepted 25 per cent. Of course, these two percentages could well produce the same sum and I do not think, therefore, that to argue on a percentage of expenses is correct as the service company charge should not be computed on this percentage basis.

2. *Surtax direction.* The company is one to which section 245, Income Tax Act, 1952, applies – and each year must stand on its own feet regarding a surtax clearance. It is essential, in my view, to obtain such a clearance every year. The Special Commissioners expect a fairly high dividend to avoid a full direction, and will not usually settle at a figure much less than 35–40 per cent of the net profits as a net dividend.

This dividend is, of course, unearned income to the recipients, and as I have said a partner's share of profits has to be fairly high before a service company would be of much use to him.

3. *Transactions in shares.* Any transaction in shares of the company could in certain circumstances be attacked under section 28, Finance Act, 1960, notwithstanding that surtax clearances have been obtained each year. Such circumstances might be where the service company was an unlimited liability company and purchased its own shares at the asset value in order to pay out a retiring partner.

It is generally better, therefore, for the partnership to own all the shares so that there need be no transaction in shares when paying out a retiring partner.

If we assume that the expenses of the service company were £50,000 and the profit obtained on that was 20 per cent, the net amount accumulated for the year would not be much more than about £2,800 after tax and payment of a net dividend of about £1,870.

The question as to whether a service company is of value to the partners from the taxation point of view is one which can only be decided after examining all the circumstances.

One of the subsidiary benefits of a service company is that although the partners would be controlling directors, they would be able to participate under present Revenue practice in a lunch voucher scheme run by the company for its staff.

Indemnity and Accident Insurance

With the increasing amount of travelling being done today, not only on the roads, but in the air, many firms operate an accident indemnity insurance scheme for partners and staff. Probably most present schemes cover accidents from flying only, although it is perfectly possible to cover travel by other means both inside and outside the United Kingdom.

Where the firm does run such an accident scheme, the premiums are treated as admissible deductions so far as paid out in respect of members of the staff. Premiums paid out in respect of partners would not be allowable. In the normal course of events, the

The second and concluding part of a paper presented at the Eleventh National Taxation Conference.

object of the scheme is to provide for dependants in the case of accident.

The scheme usually is run through an insurance broker who is informed of the details of a journey either in advance or on a monthly reporting basis. The person going on the journey stipulates which of his dependants should benefit from any accident moneys paid out. Care must be taken that this policy is not one which gives the firm the right to the proceeds as they would probably be assessable as receipts of the profession. *Murphy v. Thomas E. Gray & Co Ltd* (19 A.T.C. 196; 23 T.C. 225) being a precedent in this direction.

On the other hand, where the employee has the right to nominate who should receive any proceeds in the event of his death, then the proceeds would be treated as part of his estate for death duty purposes. Probably the best answer to the problem is for proceeds to be payable to trustees of an accident fund for the benefit of members of the staff and their dependants, and for the trustees to have complete discretion, both as to whether they pay out anything, and if so to which of the deceased employee's dependants it is paid.

Partners, however, are in the position that premiums payable are disallowed, but there is no reason why proceeds should not be dealt with in the same way as those of the staff.

Provision for Retirement

We now come to the question of partners providing for pensions on retirement, both for themselves and their dependants.

Many professional people have in the past been unable to afford to retire. No means were available by which they could save out of untaxed income enough to provide themselves or their widows with an adequate income on retirement. A partner's share of goodwill and his capital were the only capital assets available and it became necessary, therefore, for a retiring partner to sell his goodwill to the remaining partners. Unless these had private capital, the money had to come from their own savings or from borrowings. The use of goodwill as a partnership asset gave rise to considerable difficulties when the question of valuation for death duty purposes arose.

Alternative methods for retiring partners to obtain a pension were the use of life assurance, the premiums attracting a small measure of relief from income tax, but not surtax, the appointment as a consultant to the firm after retirement, and the granting of an annuity by the remaining partners.

The Finance Act, 1956, has at long last made provision for relief on the cost of pensions for self-employed persons, as well as for employees for whom no pension scheme has been provided by their employers. To go fully into the provisions and their ramifications is almost a paper in itself, so I intend only to deal with some of the aspects.

As will be known the allowable premiums are subject to certain maxima laid down according to age:

(*a*) For those born after 1915, maximum allowable premium is 10 per cent of the relevant earnings up to £750.
(*b*) For those born in 1914 or 1915, 11 per cent up to £825.
(*c*) ,, ,, 1912 or 1913, 12 per cent up to £900.
(*d*) ,, ,, 1910 or 1911, 13 per cent up to £975.
(*e*) ,, ,, 1908 or 1909, 14 per cent up to £1,050.
(*f*) ,, ,, 1907 or earlier, 15 per cent up to £1,125.

These increased limits, however, may not be claimed by persons born before 1915 if they have a right to a paid up pension in respect of full-time service in an office or employment formerly held. This might perhaps apply to a member of the staff eventually made a partner and where the rules of the pension fund of the firm require him to take a paid-up pension or give him the choice of doing so rather than accepting a return of premiums. Unless he chooses to accept a return of premiums, where he has such a choice, he will lose his right to utilize the increased limits. Care should be taken to see which is the better alternative, bearing in mind that the return of premiums bears tax at less than a quarter of the standard rate and could be used to purchase a deferred annuity.

A premium paid may, if paid within a certain time limit, be related back to a fiscal year previous to the one in which it is actually paid. Such time limit has been amended by section 41, Finance Act, 1960. Where a notice of assessment for a fiscal year is made either after the end of the year or within six months of the end of the year and the premium is paid within the period beginning with the end of the year and ending on a date six months from the date on which the assessment became final and conclusive, it may on election be referred back to that fiscal year. For the purpose of measuring the period of six months from the date on which an assessment becomes final and conclusive, the commencing date is taken to be the day on which the prescribed limit of thirty days for the giving of an appeal expires; thus the six months' period applicable to an assessment made on November 30th would commence on December 30th.

This time limit for relating back a qualifying premium gives rise to serious consideration in cases involving a change in the persons carrying on a partnership, in that it is not commonly possible to decide what premium can be paid to obtain maximum relief during the time limit as laid down, because no decision can usually be taken as to whether or not to elect for the continuation basis under section 19 (3) of the Finance Act, 1953, until after the deadline under the 1956 Finance Act has expired. It would appear, however, that if an election is made for continuation under section 19 (3) of the Finance Act, 1953, section 19 (4) (*a*) of the Act provides for the

assessment concerned to be revised into two periods, being pre and post the date of the partnership change, and if no such election is made, then the assessment will still be revised to take account of the cessation adjustment.

It seems, therefore, that any payment of a premium to secure a retirement annuity could be made up to the date, being six months after the expiration of the appeal period of the revised assessments having become final and conclusive. This clearly gives an advantage in that premiums paid can be so adjusted to the eventual share of profits, resulting either from continuation or cessation basis that no premium is paid in excess of the maximum allowable premium.

It is not always convenient, however, to have this delay in taking out a policy, since the earlier the policy is effected the greater the retirement benefits. In addition, if single premium policies are taken out each year, adequate provision for a widow becomes virtually impossible since the fund available for the widow's pension would be limited to the premium, plus interest thereon. An early death would then be disastrous. The normal procedure is to take out a basic annual policy, the premium of which is well covered by the share of average profits. Any balance underpaid for the year is then topped up by a single premium policy each year paid within the due time limits. No medical examination is necessary where the death benefit is limited to the returns of premium paid plus interest.

If the annual premium paid proves excessive in relation to the year's share of profits, the excess may be carried forward to the next year, but if the amount paid in a year plus the amount brought forward to that year exceeds the permitted maximum for the year, the excess cannot be carried forward and the relief is lost. Where relief is lost then a proportionate part of the ultimate annuity will not rank as earned income when received.

It should be remembered that a retirement annuity contract providing for a return of premiums with interest on death can be a good alternative in cases where the health of the individual is such that he cannot take out life assurance. There is a vast variety of types of policy available from the various life offices to suit most individual tastes and circumstances. It is advisable, therefore, to go to a firm of pension consultants for the best advice. The alternative is a considerable amount of hard work, making necessary comparisons.

There are two basic insurance methods of providing for retirement, however, a full comparison between which would take some time. In the case of the retirement annuity, contract premiums are, within the limitations described, allowed as a deduction from gross income year by year, but the pension when received is taxable as earned income. The policy contract cannot be surrendered, nor is it negotiable or assignable. The benefits can only be in the form of pension payments and there can be no commutation of such pension for a lump sum.

The alternative plan of taking out an endowment policy and purchasing with the maturity proceeds an annuity, is free from these restrictions and only the interest part of the annuity is taxable as unearned income. The premiums, however, only attract a small measure of relief for income tax and none for surtax. A proper comparison between these two alternatives depends on the circumstances of the individual. The cost to a high surtax payer of current premiums for a retirement annuity may be low and unless he is anticipating a higher rate of surtax on his income after retirement, the retirement annuity method would probably be his best course.

A young man who is not liable to surtax may, however, find it advantageous to use the endowment policy method until his income rises to the point where surtax does become significant. He may then convert to a paid up policy and take out a retirement annuity. The endowment policy might well be useful as security for loans etc.

The final subject I would like to touch on is that of estate duty.

Estate Duty

It has been said that estate duty in Britain is entirely a voluntary tax. There are so many ways of avoiding or reducing duty on one's property that this may well be so. How does estate duty affect partners and their estates?

A partner's interest in a partnership is aggregable with the rest of his estate as personalty passing on his death. Such interest may be the value of his share ascertained on the winding-up of the partnership, or may be ascertainable under the provisions of the partnership deed, the surviving partners being entitled to purchase it at such value. Goodwill is one of the assets of a professional partnership which may have to be taken into consideration.

Where partners are non-related, there is a presumption that any consideration for the transfer of an interest is a full consideration, and any element of gift must be proved. This is so, even where the consideration is merely an undertaking to give all one's time and attention to the partnership affairs. This was the decision in the *Boden* case ([1912] 1 K.B. 539) which, although it referred to goodwill only, is thought to extend to any partnership assets. Non-related partners' interests can, therefore, be dealt with in the following ways:

(*a*) The retiring or deceased partner's interest, ascertained under the partnership agreement probably including something for goodwill at the date of retirement or death, is purchased for cash by the remaining partners. Where the partner is alive at the time of his retirement, he may have time to dispose of his cash for death duty purposes. If he has died, the purchase consideration will be part of his estate.

(*b*) The partnership agreement can stipulate that a partner has only the right to his capital and current account balances, and in consideration for his interest in the assets passing to the remaining partners, they covenant to pay him

and his widow an annuity. Where such annuity is provided for in the agreement, there would be a passing of the capital value of the annuity on the partner's death to his widow. This would, of course, be treated as a separate estate.

(*c*) Instead of the consideration for the partner's interest being a covenant for an annuity, it could be a mutual undertaking by all the partners as in the *Boden* case. In this event, the partner or his widow would have no right to an annuity, even although there was an informal understanding amongst the partners that one would be payable. Such informal understanding would not give rise to a passing of an asset on the partner's death.

(*d*) Where the partnership is one where the older partners wish to realize their share of goodwill in some capital form, incoming partners or partners who wish to increase their share, can purchase such interests from the older partners as well as the future interest expectant on their death. In this way, the older partners are selling some of their immediate interest and the whole of their future interest at the date of death for a present consideration which can be dealt with for estate duty purposes as they please.

In cases of related partners, the presumption is that a disposal of an interest in the partnership was a gift, although this can be rebutted in the case of goodwill as the *Boden* case has shown. There is nothing, of course, to prevent a valid gift of an interest in the partnership, subject to the usual survivorship problem. The position is, however, more complicated than for non-related partners.

(*Concluded.*)

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

UNITED STATES

Professional Ethics: American Institute's New Rule

MEMBERS of the American Institute of Certified Public Accountants ratified on March 8th a stronger rule of professional ethics which prohibits them from auditing financial statements of companies in which they have a financial interest.

The new rule states that a member C.P.A. will not be considered independent – and therefore will be forbidden to express an opinion on a company's financial statements – if he has any direct, or material indirect, financial interest in the enterprise, or if he has been an officer or director during the period covered by the financial statement.

Mr John W. Queenan, C.P.A., President of the Institute, expressed his satisfaction with the new 'independence rule', which was carried by a vote of 12,713 to 4,097.

> 'Freedom from influence, persuasion or bias – complete independence – is one of the corner-stones of the C.P.A. profession,' Mr Queenan said. 'Our members throughout the country know that the quality of the profession is measured no less by the integrity of the individual C.P.A. than by the excellence of his technical performance.
>
> 'The new rule represents no new concept of independence, but, at a time when the C.P.A.'s influence in the business world is steadily increasing, his independence and objectivity must be clearly defined. This is done to allay any inference that a conflict of interest could impair that independence.'

The new rule becomes effective from January 1st, 1964. This will allow members time to make necessary arrangements to divest themselves of commitments which are in conflict with the new rule.

The previous rule held that Institute members could not give professional opinions on financial statements of publicly-owned companies in which they held a 'substantial' financial interest. In the case of privately-owned companies, certified public accountants having such an interest in the companies could not certify statements to be used for credit purposes, unless the interest was disclosed in the auditor's report.

The Institute first considered the new rule of ethics at the 1960 annual meeting, but action was delayed to give members sufficient time to consider the issue. At the annual meeting last November it was approved for submission by mail ballot to the entire membership, which totals about 43,000.

Opponents of the new rule have contended that the holding of directorships and investments does not necessarily affect the auditor's ability to apply independent judgment. They have felt that adoption of the new, stronger rule would reflect on their professional reputation by implying that C.P.A.s serving as directors or owning stock in client companies have not exercised independence in passing judgment on financial statements.

Mr Richard S. Chamberlain, C.P.A., chairman of the Institute's Committee on Professional Ethics, said such an implication was never intended.

> 'Nationwide attention on conflicts of interest and standards of conduct in many areas of public life have made it imperative for us to adopt an unequivocal rule on independence which bars even the appearance of a conflict of interest,' Mr Chamberlain said.
>
> 'The C.P.A., in his unique role in our present business community, must give every reasonable assurance that his conclusions on complex business and financial transactions are objective, impartial and unbiased.'

When a C.P.A. applies for admission to member-

ship of the Institute, he agrees to abide by its rules of professional conduct, realizing that they may in some cases be more exacting than those of the State board of accountancy which issued his certificate. A member renders himself liable to expulsion or suspension by the Trial Board of the Institute if he infringes any of the rules of conduct.

Professional Incorporation

IN spite of an opposing resolution of the American Institute's Council, fifteen States are reported by *The Journal of Accountancy* to have legislated for professional incorporation of some kind, eleven of them permitting incorporation by certified public accountants.

There is much strong debate on the subject within the accounting profession and the *Journal* has questioned Council members and examined studies made by other professions in this connection. One of the main arguments in favour of incorporation is said to be the tax benefits to be obtained both from pension plans and the accumulation of reasonable reserve funds. The ten-year refusal of Congress to permit tax legislation for pensions for the self-employed has led a number of members of the accounting profession to urge reconsideration of the Council's resolution.

Some members suggest following those professions which accept professional incorporation under special statutes, requiring all stockholders to be members of the profession and to accept the same personal liability as if they were partners. A subcommittee of the American Institute of Architects is cited as having recently considered the whole subject without reaching any conclusion.

It is not surprising to note that the strongest objection among C.P.A.s is that they should avoid anything which might suggest that they wished to limit their liability, or which prevented professional services from being essentially personal. The *Journal* concludes that agitation will continue as long as Congress fails to provide tax equity for the self-employed.

CANADA

Staff Training

MR DONALD C. SCOTT, C.A., divides staff training into two main headings – 'on the job' training and 'formal' training – in a recent article in *The Canadian Chartered Accountant*. He regards the former as of paramount importance and stresses the responsibility of the practitioner for giving his students a sufficiently broad and varied training. Otherwise, he says, he is doing a grave disservice both to the student and the profession.

The day of the indentured servant is past and good students demand good salaries. While the changes in accounting techniques, in recent years, are more dramatic, a corresponding change is taking place in auditing philosophies and techniques, though it is being recognized much more slowly. Audit firms will, he says, in future require a higher percentage of senior men than at present. In this connection Mr Scott refers to the recommendation of the Canadian Institute's subcommittee on long-range educational planning that, by 1970, entrants to the profession be restricted to university graduates. Since they will need to pay them well, practitioners must make the maximum use of their capabilities, in order to provide clients with the services they require at fees they will be willing to pay.

Mr Scott takes a Toronto firm as an example of the kind of development that is taking place in Canada in this direction. The firm has a full-time director of staff training, based in Toronto. He supervises the training programme in Toronto and co-ordinates training in other offices throughout Canada. Each office has a senior man responsible for staff training, and a programme is developed for each office, with the help of the director.

The firm offers three formal courses. The first bridges the gap between university and practice, for in Toronto the vast majority of students come from the university. The second follows the Intermediate examinations. It comprises lectures and case discussions to review audit techniques and develop the students' responsibility. The third course is held in the final year to broaden the horizons of students. It concentrates on phases of accounting not necessarily encountered in day-to-day work, such as investigations, financial planning, capital budgeting and estate planning.

NEW ZEALAND

New Zealand Society of Accountants' Annual Report

THE annual report and accounts for 1960–61 presented at the New Zealand Society of Accountants' fifty-third annual meeting held in New Plymouth last Wednesday, records a total membership of 7,064 as at November 30th last – an increase of 161 over the previous year's figure. An analysis of the membership shows that there were 1,957 public accountants (529 fellows, 1,428 associates) and 5,107 registered accountants (316 fellows, 4,791 associates).

During the year the newly-constituted public accountants' committee discussed a wide variety of matters of concern to public accountants. Arrangements, which the committee has at present in hand, include two projects on staff training in large and medium-sized practices and it is hoped to arrange a summer course for public accountants next year.

In the year under review, the report states, representations were made to the Government on certain provisions of the Inland Revenue Amendment Act, and other taxation legislation. Other legislation passed during the year affecting the profession included a measure for the compulsory audit of the trust accounts of land agents.

The Institute of Chartered Accountants in England and Wales

STATEMENTS ON AUDITING

2. Stock-in-trade and work in progress

As was pointed out in Statement No. 1, 'General Principles of Auditing', [reproduced in *The Accountant* of August 19th, 1961] ***a general statement of the degree of professional competence required by law of an auditor is to be found in the judgment of Lord Justice Lopes in the case of*** **In re Kingston Cotton Mill Co** ***([1896] 2 Ch. 279) where it was thus expressed:***

> *'It is the duty of an auditor to bring to bear on the work he has to perform that skill, care and caution which a reasonably competent, careful and cautious auditor would use. What is reasonable skill, care and caution must depend on the particular circumstances of each case. . . . If there is anything calculated to excite suspicion he should probe it to the bottom but in the absence of anything of that kind he is only bound to be reasonably cautious and careful. . . .'*

This broad statement is no doubt still a valid exposition of the legal test applicable in general; but it has been widely recognized for many years that it does not give sufficient detailed guidance to auditors on the steps which are appropriate for them to take before accepting as valid the amount at which stock-in-trade and work in progress are stated in the balance sheet. This item presents many difficulties for auditors and accordingly the Council of The Institute of Chartered Accountants in England and Wales issues this statement for the guidance of members in determining their audit procedure. It relates primarily to company audits but the considerations outlined apply equally to other audits which involve consideration of stock-in-trade, subject to any statutory provisions or instructions governing the scope of such audits.

The examinations and tests indicated in this Statement are not exhaustive. Alternative or additional steps may be necessary according to circumstances. Some paragraphs may imply a degree of organization or control normally found only in large or medium-sized businesses, but the underlying principles apply to companies irrespective of their size and the extent of internal control in operation.

(This statement is the subject of a leading article elsewhere in this issue.)

General Duty of Auditors

IT is still true, as was established by the *Kingston Cotton Mill* case, that it is no part of the auditors' duty to take stock, but this does not mean that auditors have no duty in relation to stock.

(2) In the *Kingston Cotton Mill* case, the auditors passed accounts in which the stock-in-trade was grossly overstated, but they did so honestly in reliance upon certificates as to stock-in-trade given by a director who was also manager and a man of acknowledged competence and high reputation and trusted by the other directors. The manager's certificates were in fact wilfully false. The auditors were exempted from liability. If they had suspected the genuineness of the certificates (which they did not) the auditors could have detected the fraud by reconciling the changes in stock quantities as between the beginning and end of the financial year with the purchases and sales records; having no such suspicion, they did not do so.

(3) Since the *Kingston Cotton Mill* case there have been two important developments to which in the opinion of the Council auditors should now have regard, namely:

(*a*) the duties of auditors have been extensively defined by the Companies Act, 1948, section 162 and the Ninth Schedule, in terms which were no part of the law in 1896 and which make some of the observations of the Court of Appeal in 1896 as to the duties of auditors inappropriate;

(*b*) there have been great improvements both in the standards of company accounting and in the standards of auditing.

This statement is therefore issued by the Council for the assistance of members in carrying out their duties as auditors.

(4) Essentially, the duty of the auditors of a company is to arrive at an independent professional opinion on whether the directors have properly carried out their own duties in the preparation of accounts for presentation to shareholders. The directors have a statutory duty to take all reasonable steps to secure compliance with the requirements of the Companies Act, 1948, regarding the keeping of proper books of account and the presentation of annual accounts showing the true and fair view required by the Act. In relation to stock-in-trade and work in progress it is therefore the directors' responsibility to ensure that:

(*a*) the physical quantities owned by the company are properly ascertained and recorded;

(*b*) the condition is properly judged;

(*c*) the amount to be carried forward in the balance sheet has been properly determined on an

appropriate basis or appropriate bases by suitable methods

(5) In order to reach an opinion on whether the directors have properly discharged that responsibility, the auditors will need to:

(*a*) ascertain the procedure which has been adopted;
(*b*) consider whether that procedure is sound, having regard to the particular circumstances of the company;
(*c*) test the competence with which the procedure has been carried out.

(6) It is a usual and desirable practice to obtain from a director or other responsible official of the company a stock certificate at each balance sheet date. This provides the auditors with a formal statement by the responsible official in support of the amount at which stock is stated in the accounts. Such a certificate does not relieve the auditors of their duty to decide, by means of appropriate tests, whether they can properly reach the opinion that the directors have in fact discharged their responsibility.

Ascertainment of the Company's Procedure

(7) The manner in which the auditors will ascertain the procedure which has been adopted will depend on the circumstances of the company. Large organizations will usually have written instructions to which the auditors have access. Smaller concerns may issue oral instructions or may rely on the routine established for many years; the auditors of such a company should inquire of the individuals concerned as to the procedure which is followed and prepare their own notes thereon.

(8) Inquiries may be facilitated by the use of a questionnaire, which can be completed either by the company or the auditors. Alternatively a short list of essential points may be used as an *aide-mémoire* in discussion with the company's officials.

Consideration of the Company's Procedure

(9) The ascertainment of stock quantities is a physical operation and may be by means of an annual stocktaking, without supporting records, or by a periodical or continuous comparison of stock records with actual stock. The essential operations involved in ascertaining the quantities to be taken into account are:

(*a*) identification of the articles and their ownership;
(*b*) counting, weighing or measuring them;
(*c*) recording the information.

Methods of carrying out those operations will vary according to the size and circumstances of the business and the nature of its stock records. In planning their work the auditors will need to assess the effectiveness of the procedure adopted in the business.

(10) Experience shows that it may be desirable for the auditors to make their assessment of the company's procedure and to give consideration to the basis on which stock is to be included in the accounts well in advance of the balance sheet date. This may enable them to suggest improvements which will benefit the company by preventing difficulties which would otherwise emerge at a later stage and might be capable of being resolved only with considerable trouble and expense, if at all. Such improvements will also facilitate the work of the auditors in their subsequent testing of the procedure. Some considerations which are relevant in making this assessment are indicated in paragraphs 11 to 16 below.

(11) *Quality of staff.* Is the stocktaking performed carefully and systematically by persons fully informed of the duties involved?

(12) *Independence of staff.* Is the stocktaking carried out by or under the supervision of persons who do not also have charge of stock-keeping?

(13) *Stock records.* Where stock records are kept (as distinct from the making of an annual inventory without supporting stock records) the auditors will be concerned with such questions as:

(*a*) are the records kept accurately and up to date?
(*b*) are the physical quantities checked against the records at the year end, or continuously throughout the year?
(*c*) where the checking is continuous, is it done systematically either by an appropriate spread over the year or by choosing times which may reduce the work and risk of error (for example, when stocks are at their lowest, either seasonally or individually)?
(*d*) is the checking so planned that each category of stock is checked at least once a year?
(*e*) what is the procedure for investigating the causes of differences revealed on checking and for amending the records?
(*f*) are the methods of recording and control of stocks such that unexplained differences are kept within reasonable limits?

(14) *Work in progress.* Physical checking of work in progress will often not be possible by methods similar to those adopted for unused stocks. Reference to costing records is frequently necessary and it may not be possible to separate the question of physical quantity from the question of the amount to be attributed to the work in progress. Where it is not possible or practicable to identify the work in progress with either the components which have gone into it or the products which will emerge from it, the auditors will be concerned with such questions as:

(*a*) what is the costing system from which the work in progress is ascertained?
(*b*) is the costing system reliable and in particular is it integrated with the financial accounting?
(*c*) to what extent are checks made by reference to statistical information concerning outputs of main products and of by-products (if any) which ought to be obtained from materials used?

(*d*) what is the system of inspection and reporting thereon to enable allowance to be made in the costing records for scrapping and rectification?

(*e*) [1]what is the basis on which overheads are dealt with in the costing records?

(*f*) [1]is any profit element included for which adjustments are required?

(15) *'Cut-off' procedure.* To ascertain the stock-in-trade and work in progress at the balance sheet date requires suitable 'cut-off' arrangements, that is to say arrangements which will ensure that at the relevant point of time there is complete accord between the physical stock which is brought into account, the records of the physical movement of stock and the related financial records of purchases and sales and of debtors and creditors. On this aspect the auditors will be concerned with such questions as:

(*a*) what is the procedure for linking sales records with stock records, so that goods invoiced to customers are not included in the stock even though still held?

(*b*) what is the procedure for linking purchase records with stock records, so that the purchase of all goods taken into stock is recorded and all goods purchased are included in the stock, whether held on the company's premises or elsewhere?

(*c*) where the stocktaking is by annual inventory without supporting stock records and the whole or any part of the stocktaking was carried out before or after the balance sheet date, what is the procedure for adjusting the inventory to take account of movements in and out between the stocktaking date and the balance sheet date?

(*d*) if the nature of the business involves holding goods belonging to others (for example, goods on consignment or customers' own goods awaiting processing) what is the procedure for ascertaining that such goods are not included in the inventory?

(16) *Condition of stock.* Stock which is slow moving, obsolete or damaged requires consideration by a responsible official in order to determine its treatment in arriving at the amount at which stock is to be stated in the balance sheet. The auditors will therefore be concerned with questions such as:

(*a*) what is the procedure for ascertaining and recording the condition of stock and for reviewing the rate of turnover?

(*b*) who is responsible for considering the results of that procedure and for determining the basis on which slow moving, obsolete or damaged stock is to be stated in the accounts?

Audit Tests of the Company's Procedure

(17) Audit tests of the company's procedure will be planned in the light of the auditors' assessment of its soundness in principle and with the object of enabling them to form an opinion on whether the procedure is properly operated and is effective. An appropriate series of tests will be based on the considerations referred to in the following paragraphs.

Ascertainment of physical quantities and ownership

(18) Appropriate audit tests will include all or some of the following as the auditors may decide:

(*a*) examination of the count sheets (including 'rough' sheets where these have been copied to new sheets) where there is only an annual stocktaking unsupported by stock records; this examination will extend to the adequacy with which the items have been described to enable them to be identified for subsequent steps such as pricing and assessment of condition;

(*b*) examination and testing of continuous stock records, where these are kept; this examination will be designed to test the reliability of the records and will include consideration of the results of actual counts, the extent to which differences have arisen as compared with the records and the manner in which those differences have been recorded and investigated;

(*c*) examination and testing of the links between purchase records and stocks and between sales records and stocks, with the object of testing the operation of the 'cut-off' procedure (paragraph 15);

(*d*) examination of records of stocks belonging to the company but held by others (for example, stocks overseas, or on consignment, or with outside warehousemen) and consideration of the appropriateness or otherwise of the quantities involved being in the hands of the bailees concerned; where significant quantities are so held the records to be examined will include reports on inspections made by the company's staff and the certificates from the bailees, with particular attention to any reservations by the bailees indicating that they do not accept responsibility for the accuracy with which the nature and/or quality of the stock are described;

(*e*) general scrutiny of the inventory or the stock records (and comparisons with the previous year) including attention to the possibility of material omissions or the inclusion of items such as loose tools which ought not to be included because they appear elsewhere in the accounts;

(*f*) where applicable, tests by reference to statistical information covering matters such as yields which may be expected from given quantities and normal losses or gains by evaporation or absorption of moisture;

(*g*) in relation to work in progress, examination and testing of available records including costing records and work tickets attached to unfinished articles and, where there are long-term con-

[1] See also paragraph 22.

tracts, examination of the relevant contracts including any modifications thereof and other information such as subsequent cost reports and estimates of costs to complete;

(*h*) general scrutiny of records for appropriate initials and signatures indicating responsibility for the work which has been carried out by the company's staff.

Age and condition of stock

(19) Where stock is defective (through faulty manufacture or deterioration during storage) or is obsolete or unduly slow moving, these factors must be taken into account in determining the amount at which stock is stated in the balance sheet. Appropriate audit tests of the company's procedure for judging the physical condition will normally include:

(*a*) scrutiny of stock records during the tests referred to in paragraph 18, to ascertain what information as to condition and slow moving stocks has been recorded and what action has been taken on that information;

(*b*) comparison with the stock records relating to the previous balance sheet date;

(*c*) examination by reference to normal experience of wastage due to rejects and deterioration;

(*d*) examination of the relationship between stocks and turnover, including consideration of current trading conditions and any changes in sales or stockpiling policies;

(*e*) discussion with the management.

Attendance to observe stocktaking

(20) Where the auditors consider that such a step would be of assistance to them in the performance of their duties and would be reasonable and practicable in the circumstances, they may attend occasionally at one or more of the locations to observe the actual stocktaking, whether the stocktaking is done periodically or on a continuous basis. This may be particularly helpful in the first year in which the audit is undertaken and thereafter from time to time, particularly when there have been changes in the procedure or where there are no stock records other than the annual inventory. Such observation by auditors will enable them to consider whether the stock checkers are complying with the procedure laid down and whether it is adequate for internal control purposes. During such observation the auditors may consider it desirable to test some of the counts made by the company's officials.

(21) When the auditors decide to attend to observe stocktaking on the lines indicated above they should avoid misunderstanding by making clear to the management the reason for any such attendance. The presence of auditors at stocktaking does not relieve the management in any way of their responsibilities. The auditors are neither stocktakers nor valuers nor have they any responsibility for supervising the stocktaking. Their presence is to enable them as auditors to consider the adequacy and effectiveness of the procedure. They will however be ready to advise or make recommendations, just as they would on other matters when they consider that the system of control is weak or is not being properly carried out.

Amount at which stock is stated

(22) Audit procedure will be designed to ascertain whether the amount at which stock-in-trade and work in progress are stated has been computed on a basis (or bases) and by methods which, consistently applied and having regard to the nature and circumstances of the business, will enable the accounts to show a true and fair view of the trading results and the financial position. The accounting principles involved are dealt with in Recommendation 22, *Treatment of stock-in-trade and work in progress in financial accounts*[1].

(23) After examining the principles adopted by the management, the audit procedure to test the application of those principles will normally include:

(*a*) tests of the stock sheets or continuous stock records with relevant documents such as invoices, costing records and other sources for the ascertainment of 'cost';

(*b*) examination and testing of the treatment of overhead expenses;

(*c*) tests of 'net realizable value' (or, as the case may be, 'replacement price') with current selling prices and current buying prices and other relevant information including changes in prices since the balance sheet date so far as the information is of assistance in determining the net realizable value in the ordinary course of business on the balance sheet date;

(*d*) tests of the arithmetical accuracy of the calculations;

(*e*) tests of the consistency, in principle and in detail, with which the amounts have been computed;

(*f*) consideration of replies to the inquiries which the auditors make of the company's officials;

(*g*) consideration of the adequacy of the description applied to stock-in-trade and work in progress in the balance sheet.

Scope of the audit tests

(24) The volume and nature of the tests which the auditors will need to do on the lines indicated in paragraphs 18 to 23 above are matters on which the auditors must use their own judgment in the light of their professional experience and having regard in particular to the nature of the business, the state of the records and their assessment of the soundness of the company's procedure.

(25) For small companies where the facilities for internal control are necessarily restricted and for any company whose procedure is unsatisfactory the auditors will need to extend their tests beyond what would otherwise have been necessary. For all busi-

[1] Reproduced in *The Accountant* of November 19th, 1960.

nesses however it is important that the auditors should have regard to the significance of the amounts involved in relation to the accounts as a whole so that time is not spent unnecessarily on extensive tests of items which cannot in any event have a material bearing on the presentation of a true and fair view.

(26) Where applicable, having regard to the nature of the business, the tests will include examinations 'in depth' (see paragraphs 17 and 18 of Statement No. 1, *General Principles of Auditing*[1]).

Overall tests

(27) Audit tests which may often be appropriate by way of overall assessment of the reliability of the records will include, according to circumstances:

(*a*) reconciliation of changes in stock quantities as between the beginning and end of the financial year with the records of purchases, production and sales;

(*b*) comparison of the quantities and amounts of stocks in the various categories with those included at the previous balance sheet date and with current sales and purchases;

(*c*) consideration of the gross profit ratio shown by the accounts and its comparison with the ratio shown in previous years;

(*d*) consideration of the rate of turnover of stocks and its comparison with previous years;

(*e*) consideration of the relationship of the quantities ready for sale and in course of production with the quantities shown in operating and sales budgets;

(*f*) where applicable, examination of standard costing records and consideration of the variances shown thereby and their treatment in the accounts.

[1] See *The Accountant*, August 19th, 1961, page 243.

Machine accounting

(28) To the extent that tests of the kind indicated in this Statement may be impracticable because of the use of machine accounting under which records are not always available by way of link between primary and ultimate records, the auditors will have regard to the considerations referred to in the Council statement on *Mechanized Accounting and the Auditor* as amplified by the Council statement on *Accounting by Electronic Methods*[2].

Independent stocktakers

(29) The scope of the work undertaken by independent stocktakers and valuers and the details given in inventories submitted by them will need to be considered by the auditors. The fact that the services of such persons have been used does not eliminate the auditors' duties in relation to the stocks certified by the stocktakers, though it may affect the extent and nature of the tests which the auditors will consider it necessary to apply themselves.

Auditors' Report

(30) If, as a result of their assessment of the company's procedure and their tests of its operation, the auditors are unable to reach the opinion that the records are reliable they will find it necessary to make an appropriate reservation in their report to the shareholders if the amounts involved are material.

(31) Similarly a reservation in their report will be necessary if in the opinion of the auditors the principles adopted by the company and/or the description applied to stock-in-trade and work in progress in the balance sheet are not such as to enable the accounts to show a true and fair view.

[2] Reproduced in *The Accountant* of July 12th, 1958.

Weekly Notes

BALANCING THE ACCOUNT

IT is an article of faith among accountants that accounts must balance. In the case of the United Kingdom balance-of-payments accounts, the surplus or deficit on current account would be expected to be reflected in the statement of assets and liabilities at the end of the annual trading period. At least this would be the case if the entries in the various books were correct. As far as the United Kingdom balance of payments is concerned, not only are many of the entries inaccurate but some are often omitted. The consequence is that at the end of the year there is a discrepancy in the accounts which the statisticians euphemistically define as the 'balancing item'. It would not matter too much, bearing in mind the size of the transactions, if the balancing item were small or at least was reasonably constant from year to year. The facts are, however, that in 1959 it was £10 million; it was £364 million in the following year and in the first nine months' trading for 1961 it has been estimated at £220 million. So tenuous is the estimate that the figure published one year is likely to be revised in the next year's White Paper. For example, the next White Paper on the balance of payments is expected – so the March *Quarterly Bulletin* of the Bank of England states – to contain revised estimates for recent years.

Not merely does the overall figure vary widely from year to year, but the composition of the error also varies. The 'balancing item' is made up from a variety of sources and within each separate account there is scope for error. Thus, in respect of the annual import figure of £4,000 million, an error of

only 1 per cent contributes £40 million to the balancing item. Among the items in the invisible accounts, that for travel is most unreliable. Among other contributory factors are the unrecorded changes in the investment portfolios of companies and overseas residents. Monetary movements between financial centres in the sterling area also contribute their quota to the accounting error. Even bearing in mind the difficulties of keeping such records, it will come as a surprise to many readers that the figures upon which the United Kingdom's external financial position must be evaluated by the Government's advisers, are quite so tenuous.

HELPING THE RATEPAYER

CENTRAL Government participation in the finance of local government services is not likely to contract for the time being, if only for the reasons discussed in last week's leading article. The truth of those observations is underlined by the subsequently published General Grant (Increase) Order 1962 of the Minister of Housing and Local Government.

The object of this order is to provide a further £13 million to the proposed figure of £454 million of general grant to be transferred to the local authorities in England and Wales in 1961–62. This increase represents just over half the increase in the relevant expenditure upon which the general grant is based. Of the aggregate increase in such expenditure, just over half is attributable to the Burnham award to teachers. This payment is only the forerunner of further awards. Discussions between the Ministry and local authority associations are continuing and, quite apart from the promised increase for 1962–63 over and above the projected sum of £472 million, some agreement on the form and pattern of future central financial aid must emerge.

These latest increases, although relatively small in relation to the total grant aid, nevertheless underline the argument put forward in our leading article last week that at some stage in the not-so-distant future, local authorities will be expected to utilize their enhanced resources of rateable value in order to relieve the Exchequer. Future developments in central-local financial relations should bear watching.

RETAIL PRICE INDEX UNDER SCRUTINY

AS now calculated, the official index of retail prices is based on a pattern of expenditure known to exist nearly a decade ago. Clearly some revision has become an urgent necessity; and the basis for such revision exists in the continuing Family Expenditure Survey which was instituted in the report of the Cost of Living Advisory Committee for 1956. In their recent study – *Report on Revision of the Index of Retail Prices* (Cmnd. 1657), the Advisory Committee suggest that the weighting pattern for a revised index should be the expenditure over the three previous years, and that any necessary changes should be introduced annually in January.

The committee recommends that a new index series should be started as from January this year, using the pattern as suggested above, and with whatever changes in the items to be priced as the Family Expenditure Survey shows to be desirable. This new index will have as its base date January 16th, 1962, and for the whole of 1962 both the new and existing official index figures will be published. From 1963 onwards the revised index will alone appear, the new figures being given to the first place of decimals and not rounded to the nearest whole number as with the present index. This new reference basis is to be used for at least ten years.

Expenditure patterns for the present index are representative of families in which the head of the household earns up to £20 a week. For the new index, the expenditure limit is currently £30 per week. Food will be less heavily weighted in the new index, alcoholic drink will be much the same, tobacco appreciably lower, housing a little lower, durable household goods, transport and vehicles substantially higher, and services rather lower. Clothing and miscellaneous goods are unaltered.

The growing use of electrical appliances is the main cause of the increased importance of the durable household goods group. The rise in the transport and vehicles group is almost entirely due to a large rise in the expenditure on the purchase, maintenance and running of motor vehicles which more than outweighs a fall of some magnitude in rail transport expenditure. The fall in expenditure on services owes much to the declining popularity of the cinema.

The trends in the two index numbers will be watched with interest; the existing one will remain 'official' until the end of the year.

COST CONSCIOUSNESS

SPEAKING at a conference on value analysis last week, Sir Miles Thomas, chairman of Monsanto Chemicals, said that an apparent weakness of British industry was the great reluctance in many companies to disseminate information on costs to middle and lower management. He went on to say that there might be a fear that the information would be passed on to competitors. Even if this were so, however, the loss was small compared with the loss of incentive to reduce costs at levels where action was possible if information was not passed down the lines of command.

He was addressing a one-day conference organized by a firm of management consultants. Mr F. Garner, deputy chairman of Joseph Lucas, said that value analysis was the best single approach to the problem of material costs. Value analysis is a system pioneered in the United States by the General Electric Co. Under it, every component is subjected to close

scrutiny to see in what way costs can be reduced. It is therefore in a sense work study applied to materials.

The fact remains, however, that there is always a dual problem in management – first to get the facts and then to communicate them.

CAPITAL DIVIDENDS FROM ABROAD

IN *Rae v. Lazard Investment Co Ltd* the Court of Appeal last week allowed an appeal by the defendant company from the judgment of Plowman, J. (40 A.T.C. 270). The appellant company held shares in a company incorporated under the laws of the State of Maryland, which in turn held shares in another company incorporated in the same State. The first Maryland company had been carrying on two businesses and had transferred one of them to the second Maryland company so that the latter was treated as becoming entitled to a substantial portion of the earned but undistributed profits of the former. The second company had issued shares to the first as part of the consideration for the transfer of the business, and the first company had distributed the shares amongst its own shareholders, including the appellant company.

It was quite clear that if what had been done had been done by a company incorporated in or in accordance with the law of England, the result would have been that the shares distributed by the first Maryland company would have represented a distribution of profits of that company made since it had started operations and the appellant would have been liable, as were the taxpayers in *C.I.R. v. Reid's Trustees* (28 A.T.C. 65), to income tax under Case V of Schedule D on the ground that the shares represented 'income arising from a possession out of the United Kingdom'. As reported in *The Times* of March 14th, the Court of Appeal distinguished that case, which had proceeded on the basis that the South African company whose capital profits had been distributed was governed by a law similar to that which would govern an English company.

In the present case, the Special Commissioners had before them evidence that under the law of Maryland which was the proper law applicable to the transaction, the appellant company did not receive a dividend but received capital. The transaction was in effect a partial liquidation, permitted by Maryland law, and the Court of Appeal saw no reason why the English Courts should not give effect to what had been done.

TRADE IN SHARES

THE House of Lords by a majority (Viscount Simonds, Lord Morris of Borth-y-Gest and Lord Guest, Lord Reid and Lord Denning dissenting) last week dismissed an appeal by the Crown from the majority decision of the Court of Appeal in *J. P. Harrison (Watford) Ltd v. Griffiths* (40 A.T.C. 132). In the financial year 1953–54 the H. company incurred a trading loss of £13,585, which was available to be carried forward. Till some time during that year the company carried on business as merchants, but in October 1953 its memorandum was altered to permit it to deal in shares, and in December of that year it purchased for £16,900, of which £15,900 was raised by a loan, all the issued share capital (1,000 £1 shares) of the C. company, which at that time had no business but considerable accumulated profits. In January 1954 the H. company received from the C. company a net dividend of £15,901, which the H. company used to repay the £15,900 loan. The H. company then sold for £1,000 its shares in the C. company. There was no evidence that the H. company bought or sold any other shares in 1953–54, but it did carry on the business of dealing in shares during the following year. For the Crown it was argued that the shares in the C. company were purchased with a view to obtaining a dividend against which the H. company could claim to set off its losses. That argument, said Lord Simonds (according to *The Financial Times* of March 16th), rested entirely on the proposition that the essence of a trading transaction was that its object was to make a profit, and that the found object of the present transaction was the ulterior one of obtaining a dividend against which the losses of the H. company could be set off.

His lordship said that, attractive as this proposition was, it did not convince him. 'Here was a company whose object it was to deal in shares. It entered into a commercial transaction which, though it might be given an invidious name, contained no element of impropriety, much less of illegality. I can find nothing that enables me to say that it is not a trading transaction.' Lord Reid and Lord Denning agreed with the view which the Special Commissioners had taken, that the transaction in the shares of the C. company was not a trading transaction.

THE SMALL INVESTOR . . .

THE most important channels for private saving are the fixed interest media such as the building society deposit, of which there are nearly 4½ million accounts, worth in the aggregate almost £3,000 million. Some 30 million active savings accounts contain an even larger sum, while over 17 million people hold National Savings Certificates worth almost £2,700 million. Yet, far from offering the small saver security, the depreciation in the purchasing power of the currency has meant heavy losses for such savers.

According to Mr Richard Kellett in the latest Hobart Paper,[1] investment in the equity capital of the young and developing companies in Britain today would offer such savers a greater return, as well as benefiting British industry.

In Mr Kellett's opinion there are a number of

[1] *Ordinary Shares for Ordinary Savers.* Hobart Paper 16. Institute of Economic Affairs, 7 Hobart Place, London SW1. 5*s* net.

factors which prevent the small saver acquiring an interest in ordinary shares. The first, he says, is the well-known fact that many stockbrokers do not like dealing with small investors (although a contrary view was firmly expressed by Lord Ritchie, Chairman of the Council of the Stock Exchange, at a conference held last Wednesday – referred to in the following note. Lord Ritchie stated that the Stock Exchange welcomed the small investor and that 'two out of three firms have their names on the short list of brokers which is sent out to small investors who request information').

Then, states Mr Kellett, there is the present stamp duty which is a real discouragement to the small potential investor, and, thirdly, there is the discrimination of the tax system against 'unearned' income. Mr Kellett argues that there may have been some case for the latter in times long past when the main source of capital was inherited wealth; nowadays it is an anachronism. The proposal to tax capital gains must also deter such investment; in any case, the era of easy capital gains has passed.

The author believes that in the long run the main flow of new equity capital must come from the private saver since much of the current institutional investment in equities tends to favour the safe 'blue chip'. While Mr Kellett's thesis for the encouragement of equity investment by the small saver has much to recommend it, the notion that such individuals should be encouraged to acquire shares in young developing companies does not seem altogether wise. There is always danger in putting a nest egg into one basket and it would be a tragedy if such investors were to burn their fingers. No doubt the unit trust movement has its shortcomings, but the spread of risks offered by a sound trust makes the units a better proposition for the small saver than a single equity.

. . . AND WIDER SHARE OWNERSHIP

THE crusade of the Wider Share Ownership Committee to popularize equity investment with the small saver took a further step forward this week with the publication of a comprehensive survey entitled *Savings and Attitudes to Share Owning*, prepared for the Committee by Dr Mark Abrams.

Conducted among a sample of 568 men in the 'four highest of the six social grades of the British population', the survey indicates that the most favourable reaction from non-owners to share-owning is from those under 40 in the higher social grades. As one might expect, there was an increased reluctance to change saving habits among the older groups. Most non-owners, it seems, are convinced of the national and industrial benefits to be derived from wider share ownership, but they regard share purchasing as 'risky' and 'complex' and do not feel that there is anything to be gained from investing relatively small amounts. There was also much uncertainty as to the best way of obtaining advice on shares. Half of the non-owners reacted favourably to a regular share purchasing scheme – mainly younger men in the lower grades.

Eleven per cent of the non-owners had over £500 in long-term savings. Assuming that each of the 11 per cent were to buy shares, states the survey, then the number of shareholders would roughly double (from approximately 3·4 to 6·8 million). It was considered that the removal of the 2 per cent stamp duty would greatly encourage such growth.

The survey was presented on Wednesday at a conference organized by the Wider Share Ownership Committee presided over by the Committee's Chairman, Mr Maurice Macmillan, M.P. The opening address was given by Mr Henry Brooke, M.P., Chief Secretary to the Treasury and Paymaster-General, who referred to the part companies themselves can play. In the last few years, he said, a great deal of progress had been made in the direction of producing more informative company reports. It was exceedingly important that the process of providing full and comprehensible information should continue.

Other speakers were Mr S. P. Chambers, Chairman of Imperial Chemical Industries Ltd – who criticized the 'whole forest of special reliefs' given to almost every form of saving other than that invested in the risk of private enterprise – and Lord Ritchie, Chairman of the Council of the Stock Exchange. Lord Ritchie said that he would like to 'blow sky high' the idea that the Stock Exchange could not be bothered with small clients – 'we welcome small investors, we welcome small new business', he declared.

With regard to the survey, Lord Ritchie said that the picture presented was encouraging but gave no room for complacency. On one side the steady increase of shareholders was confirmed. In 1948 – 1¼ million; 1952 – 1¾ million; 1960 – 3·1 million and now between 3·2 and 3·6 million. It also showed that there were an enormous number of people in the country on the threshold of buying shares. It showed too, that young people were particularly interested in share buying and in general less inclined to be obstinately and dogmatically opposed to share ownership. On the other hand, it was quite clear that there was still a lot of ignorance about stocks and shares and also uninformed prejudice.

Lord Ritchie stated that it had been decided by the Council of the Stock Exchange to commence corporate advertising in order to make more generally known to the public the part played by the Stock Exchange in commercial life. The campaign is to start at the beginning of next month.

Lord Ritchie concluded his remarks with an attack on the Government for what he called their 'restrictions and barriers'. The City of London, he declared, had not reached its pre-eminence in the past by taxation and restriction, and the Government should 'consider forthwith what existing barriers they can remove', instead of thinking up new schemes which would hamper business.

ACTIVITY IN MACHINE TOOLS

MUCH publicity has been given to the slowing down in the rate of investment in new building, plant and equipment. Most manufacturers of industrial equipment have been fairly confidently promised a less than buoyant year, at least so far as the home market is concerned.

Estimates put out last week-end by the Machine Tool Trades Association are in consequence quite encouraging. Although the value of orders on hand fell from about £117·5 million to about £116·8 million between November and December, the machine tool industry has begun 1962 with 10 per cent more work on its books than it had at the same time last year. Outstanding orders for the home market were up 4 per cent on a year earlier and those for export up by as much as 32 per cent. The industry's order book began to improve in value through the year until August but after this date orders began to level off as deliveries accelerated.

It would appear, therefore, that the machine tool industry is following the general pattern predicted for the capital goods industry this year, except that the export performance so far in 1962 has been particularly satisfactory, while the showing in the home market has been less disappointing than might have been expected from forecasts of activity made in the closing months of 1961.

This is My Life . . .

by An Industrious Accountant

CHAPTER 116

YOUNG accountants often find themselves applying for new and better jobs during their laborious struggle up the long road to the top. It's too easy to make a mistake during the climb. Rarely are the stumbling blocks marked in advance.

Some time ago I interviewed some applicants for a vacancy in our accounts department. The first candidate was very impressive. He was a slim, eager young man, recently qualified, with all the obvious advantages; personable, well-spoken, a sound school record, captain of the local tennis club, already holding a good junior accountancy job. He was admittedly ambitious and I felt he'd go far. So I explained our requirements carefully and really hoped he'd make the grade.

He interviewed well; he queried every detail, salary increments, rotational assignments, etc., and answered fluently. But soon I began to be conscious that our positions were being reversed; he was interviewing me. Under the sleek blond hair, behind the narrowed eyes, he was collating data for future reference. So I let it run for a while, then suggested gently that he'd better put his cards on the table.

He halted in mid-question; his jaw dropped. 'You're obviously not interested in the job, you know,' I said, 'But that's all right, just so long as we both appreciate it. I'm very happy to tell you about job prospects here and elsewhere; what's the real set-up?'

He was rather crestfallen as he admitted that he'd just accepted another job. He'd come to me for interview experience and to compare working conditions. I tried to help him, as he was still young in the ways of the world, but he seemed to resent bitterly having had to disclose his deception. He broke off our talk and we parted with some constraint; his duplicity had let him down.

The final candidate for our vacancy was an even more likely type. An ingenuous, curly-headed character, patently devoid of guile, he talked freely of his past and future. He sold himself equally well to Prinny, our personnel director, and to cut a long story short he accepted the job shortly thereafter. He called in on the Wednesday to say thanks to us and to arrange final details; all went pleasantly. We arranged that he'd start work with us the following Monday.

On Friday the blow fell. He telephoned that morning in some perturbation to say that he'd just heard from a company which had interviewed and rejected him a month previously. They had changed their mind, they said. They offered him their job, which was nearly £200 per annum better than ours, with better prospects also. As he saw it, he had no option. He had accepted their offer. But he felt badly about it; he wanted to come round to explain and apologize.

Well, I didn't demur. After all, he had to look after his own best interests; far be it from us to keep him against his will. But Prinny was most annoyed. He holds firmly to the ancient adage that a man's word is his bond. Besides, he felt affronted by our relegation to second fiddle and the reflection on our salary and prospects. Never had I seen him so disgruntled; never before had one of his choices backfired. He arrived in my room shortly after the young accountant and transfixed that flustered but well-intentioned stammerer with an outraged eye. 'You're to be congratulated on an improved job, sir, I understand,' he growled. 'I trust your new employer will find your word more reliable than has been my experience. You've no cause to be proud of your action today.'

His victim straightened up in bewilderment and stared at us; his hurt face mirrored a hopeless struggle between the urge to explain and the realization that explanation was futile. Then silently, with his chin held high, he turned and walked out of the office. He looked baffled; his honesty had let him down.

I was really sorry to see these young fellows suffer mortification. Still, they both looked like men who should do well; they'll have to learn to stand up to harder knocks on their climb to the top. The best laid plans gang aft agley.

Finance and Commerce

Explanation

COMPANY meetings sometimes develop an air of unreality; on occasion they give an impression that someone is trying to work a tremendous leg-pull. Normally, one must take it that shareholders are acting in good faith even when they ask questions that seem 'out of this world'. There was the question at the meeting of Trinidad Sugar Estates Ltd on the auditors' report, for instance, about the 'information and explanations'. Mr E. Cassleton Elliott, C.B.E., F.C.A., the chairman, explained that the wording followed the Companies Act. The shareholder seemed to think that there might be some element of 'passing the buck', as he said, in the wording, although who might have been passing the buck to whom was not too clear. Did the auditor, in fact, asked the shareholder addressing the auditors' representative, have to ask for any explanations? And the reply was: 'Oh yes, quite a number of small ones.' And the incident closed with a polite: 'Thank you.'

It would be interesting to know what really was passing in the shareholder's mind to prompt such a question, but it will probably never be known. At least it can be said that the company had the right chairman to deal with the query. Mr Cassleton Elliott, later in the meeting on another point, said: 'You can't teach me anything about company law.'

Land Importance

Trinidad Sugar Estates, whose accounts provide this week's reprint, can see the probability of a very substantial increase in the value of its land asset. Basically it is a sugar-growing company with about 5½ thousand of its 8½ thousand acres planted, and its own sugar factory. Its fortunes have varied with the sugar harvest and market, but can be gauged from the fact that in roughly the first half of the last decade, the price of the 5*s* shares has been either side of par with a low of 3*s* 3*d* at one time.

Certain interests, however, have recognized the growing importance of the land for what in these days is called 'development' and the price of the 5*s* shares is now up in the region of about 45*s*. It has been 47*s*. And those who have bought the shares on the development prospect are anxious to turn the prospect into hard cash at the earliest possible moment.

With this aim, the 'ginger group' (as *The Daily Telegraph* City Editor called it) got two of its nominees on to the board in place of two retiring directors and a third as an additional director. Voting strength on a poll was 476,324 against 345,855. It was just a case of bowing to the will of the majority in a company democracy.

Land Values

What was the land worth or likely to be worth? Mr Cassleton Elliott was pressed for an answer. His view was that it would be entirely misleading to try to give shareholders any indication of future value. Certainly the Trinidad Government had requisitioned 170 acres and agreed a value, after negotiations, representing an average of just over £1,000 an acre. But in any case, he emphasized, the directors were not free agents to sell this acreage in the open market. So far as other sales were concerned, prices had varied from £1,480 an acre to £2,904 an acre according to the position of the land and the potential use to which it can be put. If the buyers of the land subsequently sold at a profit, they also had to do a good deal of work, including clearance, provision of drainage, water and electricity.

Mr Cassleton Elliott was in Trinidad last November and was able to outline to the meeting the conditions there. Shareholders, he said, should realize that the Government of Trinidad was in course of introducing a Town and Country Planning Act based on very similar lines to legislation in this country. The Trinidad Act was intended to come into force this March. In future, planning consent would be needed for any land development. And emergency powers had been taken to prevent change of existing user without consent.

Revaluation

It has been suggested to the board that there should be a property revaluation with a view to capitalizing the surplus value in a distribution of bonus shares. But the board's view was that there was no advantage to be gained by trying to re-value. There might be taxation difficulties on a number of aspects of development and sales. That side of the question would have to be carefully considered.

Also to be considered was the Trinidad Government's anxiety to see that sugar, one of the island's main industries, continued. The impression gained on the visit was that Government policy was to maintain agriculture as much as possible and at the same time to support industrialization so that surplus labour could be absorbed. It was made quite clear, said the chairman, that the Government would expect a substantial proportion of the company's estates to continue in sugar production.

Meantime, the company has instructed architects and town planning consultants to make a complete survey of the estates and to advise on the user and development of a large estate for residential, industrial and agricultural expansion.

From one angle, the company may be seen as sitting on a potential gold mine. But those who have had to deal with authority elsewhere in the matter of land development will understand the difficulties.

TRINIDAD SUGAR ESTATES LIMITED AND ITS SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 1961

1960 £	£		£	£
		CAPITAL:—		
		AUTHORISED:—		
£300,000		1,200,000 Units of 5/- each Ordinary Stock or 5/- Shares		£300,000
		ISSUED:—		
£280,800		1,123,200 Ordinary Stock Units of 5/- each ..		£280,800
		REHABILITATION RESERVE:—		
		Amount recovered for Capital Replacements under the Production of Cane and Sugar Ordinance 1944, and the Trinidad Sugar Industry Special Funds Ordinance, 1948:—		
	86,074	As at 30th September, 1960	85,948	
	8,312	*Add:* Recoveries during year	14,773	
	94,386		100,721	
85,948	8,438	*Less:* Transfer to Appropriation Account ..	13,022	87,699
		CAPITAL RESERVE:—		
	10,310	As at 30th September, 1960	10,485	
	70,375	Surplus over cost on Sales of Land	368,419	
	80,685		378,904	
		Less: Cash Distributions on Ordinary Stock not subject to Income Tax:—		
		1s. 3d. per Unit paid 5th April, 1961	70,200	
		4s. per Unit paid 29th September, 1961	224,640	
		Proposed Distribution of 1s. per Unit	56,160	
	70,200			
10,485			351,000	27,904
		REVENUE RESERVE:—		
		GENERAL:—		
50,000		As at 30th September, 1960		50,000
40,027		PROFIT AND LOSS ACCOUNT		67,709
467,260				514,112
34,431		INCOME TAX ON YEAR'S PROFIT		45,392
		PROVISIONS:—		
		STAFF PENSIONS FUND:—		
	8,500	As at 30th September, 1960	6,919	
	1,581	*Less: Payments during year*	—	
6,919				6,919
		Amount received from Trinidad Government for making up Traces on Churchill-Roosevelt Highway:		
5,509		As at 30th September, 1960		5,509
		CURRENT LIABILITIES:—		
	78,574	Sundry Creditors	85,399	
	20,389	Taxation	19,062	
	42,998	Dividend recommended of 25% less Income Tax ..	42,998	
	70,200	Proposed Cash Distribution out of Capital Reserve ..	56,160	
	221	Unclaimed Dividends	329	
212,382				203,948
£726,501				£775,880

1960 £	£		£	£
		FIXED ASSETS:—		
	77,174	TRINIDAD ESTATES at cost as at 30th September, 1960	81,944	
	5,098	*Add:* Expenditure during year	8,203	
	82,272		90,147	
81,944	328	*Less:* Average cost of land sold	3,721	86,426
	121,944	BUILDINGS at cost less Sales	124,991	
68,281	53,663	*Less:* Depreciation	57,230	67,761
	367,008	PLANT AND MACHINERY, MOTORS, FURNITURE AND FITTINGS at cost, *less* Sales	383,599	
128,263	238,745	*Less:* Depreciation	259,287	124,312
278,488		Total Fixed Assets		278,499
		CURRENT ASSETS:—		
		STOCKS:—		
125,417		Sugar and Molasses	44,447	
47,458		Stores	52,186	
1,650		Livestock	1,224	
			97,857	
57,815		SUNDRY DEBTORS, DEBIT BALANCES AND PAYMENTS IN ADVANCE	37,315	
39,744		BRITISH GOVERNMENT SECURITIES AT OR UNDER COST .. .. (Market Value 30th September, 1961—£36,787 (*1960, £36,862*))	39,744	
172,621		TREASURY BILLS AT COST	250,819	
448,013	3,308	CASH AT BANK AND IN HAND	71,646	497,381
£726,501				£775,880

The Notes on page [365] are to be read as part of these Accounts.

E. CASSLETON ELLIOTT
H. P. ROSLING
} *Directors.*

TRINIDAD SUGAR ESTATES LIMITED AND ITS SUBSIDIARY COMPANY

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 30th SEPTEMBER, 1961

1960 £		£	£	1960 £		£
552,115	To EXPENDITURE IN TRINIDAD, including cost of Production, Upkeep of Estates, etc.	619,927		641,092	By INCOME FROM PRODUCE 1960/61 CROP	744,026
5,797	„ EXPENDITURE IN LONDON, including Secretaries, Consulting Engineers, and General Expenses	7,217		2,232	„ PROFIT ON SALE OF STOCK OF SUGAR AND MOLASSES, 30th September, 1960	7,676
89	„ AUDIT FEE	89		5,642	„ RENTS	5,112
2,100	„ DIRECTORS' FEES	2,318		1,125	„ INTEREST ON INVESTMENTS	1,125
3,594	„ DEPRECIATION—Buildings	3,566		5,289	„ DISCOUNT ON TREASURY BILLS AND INTEREST	10,414
19,244	Plant and Machinery, etc.	20,542		179	„ TRANSFER AND REGISTRATION FEES	228
—	„ PROFIT SHARING SCHEME for Estate Labour	6,626		421	„ PROFIT ON SALE OF PLANT AND MACHINERY	167
73,041	„ PROFIT, carried to Appropriation Account	108,463				
£655,980		£768,748		£655,980		£768,748

APPROPRIATION ACCOUNT

£		£	£	£		£
35,560	To TAXATION ON PROFIT FOR YEAR:— Income Tax	49,510		37,458	By BALANCE brought forward from last Account	40,027
700	Profits Tax	1,600		73,041	„ PROFIT FOR YEAR brought down	108,463
36,260		51,110			„ TRANSFER FROM REHABILITATION RESERVE FOR DEPRECIATION OF PLANT AND MACHINERY PURCHASED THROUGH REHABILITATION FUND	13,022
348	*Less:* Over-provided for previous year	305		8,438		
35,912			50,805			
42,998	„ DIVIDEND RECOMMENDED OF 25%, less Income Tax at 7/9d. in £		42,998			
	„ BALANCE carried to Balance Sheet:—					
40,012	Trinidad Sugar Estates Ltd.	67,681				
15	Subsidiary Company	28				
			67,709			
£118,937			£161,512	£118,937		£161,512

NOTES ON THE ACCOUNTS

(1) The W.I. Dollar has been converted at the rate of $4.80 to the £.
(2) There were no Contracts for Capital Expenditure for which provision has not been made in the Accounts at 30th September, 1961 (*1960, £6,280*).
(3) No credit has been taken for any amounts recoverable from the Rehabilitation Fund under the Trinidad Sugar Industry Special Funds Ordinance, 1948, beyond the amounts actually recovered up to 30th September, 1961.

REPORT OF THE AUDITORS TO THE MEMBERS OF TRINIDAD SUGAR ESTATES LIMITED

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books, and proper returns for the purposes of our audit have been received from the Estate which we have ascertained have been correctly incorporated in the London books. We have examined the annexed Balance Sheet which is in agreement with the books of account and returns. In our opinion and to the best of our information and according to the explanations given us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 30th September, 1961.

We have also examined with the audited accounts of the Company and its Subsidiary Company the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account. In our opinion such consolidated balance sheet and consolidated profit and loss account, together with the notes, have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give a true and fair view respectively of the state of affairs as at 30th September, 1961, and of the profit for the year ended on that date of Trinidad Sugar Estates Limited and its Subsidiary Company.

112-114, CANNON STREET,
LONDON, E.C.4.
1st February, 1962.

J. DIX LEWIS, CÆSAR, DUNCAN & CO.,
Chartered Accountants.

CITY NOTES

WITH the Budget looming ahead the stock-market's chief interest currently lies in new issues. The pre-Budget new issue rush has provided investors and punters with considerable scope. The pattern emerging, however, is the familiar one of support for equity offers but lack of support for fixed interest stock issues.

Property shares, offered on a low yield basis, have attracted heavy oversubscription with allotment in most cases having to be decided by ballot. Debenture and loan stock offers, on the other hand, have been left with underwriters.

The prospect of a premium on the equity and of a discount on the loan capital works both ways in the new issue market. The Middlesex County Loan where the terms were considered attractive when first announced, and which were apparently made more attractive still by an interim improvement in the gilt-edged market, was none the less heavily left with underwriters and opened at half a point discount.

Under conditions in which interest rates are on the down grade, the lack of response to fixed interest offers is apparently difficult to fathom. The fact of the matter is, however, that the bigger investors interested in this type of stock obtain stock on underwriting terms.

Over the stock-market as a whole, Budget preoccupation has restricted business to small dimensions and the optimism apparent a week or two ago has noticeably evaporated.

RATES AND PRICES

Closing prices, Wednesday, March 21st, 1962

Tax Reserve Certificates: interest rate (25.11.61) 3¼%

Bank Rate

Jan. 21, 1960	5%	July 26, 1961	7%
June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%

Treasury Bills

Jan. 12	£5 8*s* 6·03*d*%	Feb. 16	£5 9*s* 10·81*d*%
Jan. 19	£5 6*s* 2·35*d*%	Feb. 23	£5 10*s* 7·47*d*%
Jan. 26	£5 4*s* 10·06*d*%	Mar. 2	£5 10*s* 11·26*d*%
Feb. 2	£5 4*s* 4·93*d*%	Mar. 9	£5 0*s* 5·89*d*%
Feb. 9	£5 8*s* 0·74*d*%	Mar. 16	£4 17*s* 7·57*d*%

Money Rates

Day to day	3⅞–4⅞%	*Bank Bills*	
7 days	4–4⅞%	2 months	5 1/16–5⅛%
Fine Trade Bills		3 months	5 1/16–5⅛%
3 months	6¼–7%	4 months	5 1/16–5⅛%
4 months	6¼–7%	6 months	5 1/16–5 3/16%
6 months	6½–7½%		

Foreign Exchanges

New York	2·81⅝–11/16	Frankfurt	11·26–½
Montreal	2·95¼–⅜	Milan	1748¾–9
Amsterdam	10·16½–·17	Oslo	20·05¾–·06¼
Brussels	140·19¼–¾	Paris	13·80–¼
Copenhagen	19·37–½	Zürich	12·21¾–·22

Gilt-edged

Consols 4%	62 15/16	Funding 3% 59–69	82¾xd
Consols 2½%	40⅜	Savings 3% 60–70	79 11/16
Conversion 5¼% 1974	92⅝	Savings 3% 65–75	71
Conversion 5% 1971	91 11/16	Savings 2½% 64–67	87⅜
Conversion 3½% 1969	85½	Treasury 5½% 2008–12	88¼
Conversion 3½%	55	Treasury 5% 86–89	83¾xd
Exchequer 5½% 1966	99 27/32	Treasury 3½% 77–80	71⅜
Funding 5½% 82–84	91¾	Treasury 3½% 79–81	70⅛
Funding 4% 60–90	89 11/16	Treasury 2½%	40
Funding 3½% 99–04	61 3/16	Victory 4%	95½
Funding 3% 66–68	85 1/16	War Loan 3½%	56 5/16

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

British Commonwealth International Newsfilm Agency Ltd *v.* Mahany

In the Court of Appeal – March 15th, 1962

(Before the MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice UPJOHN and Lord Justice DIPLOCK)

Income tax – Loss – Adjustment of liability – Annual payment made to a trading company – Whether recipient entitled to repayment of tax – Income Tax Act, 1952, sections 123 (Schedule D, Case III), 341 – Finance Act, 1953, section 20 (2).

In 1956 the appellant company was formed by the Rank Organisation Ltd (Rank) and the British Broadcasting Corporation for the purpose of supplying visual news on a world-wide scale, and of ensuring that the company should remain under British control, and of preventing the supply of visual news material being dominated by American interests. The company was incorporated on March 8th, 1957, and its main object was expressed to be the supplying of a service of world news. The subscribers, Rank and the B.B.C., held an equal number of shares, and each appointed the same number of directors. Later, the Canadian Broadcasting Corporation and the Australian Broadcasting Commission also took shares in the company, and each appointed a director.

It was expected that the company's activities would not be a commercial proposition in the early years, and on October 31st, 1957, Rank and the B.B.C. agreed that each of them would pay to the company an additional subscription equal to half the amount of the deficit. The agreement recorded that the aims of the parties were not those of commercial gain, and that the company's profits should be applied first in improving the quality and expanding the range of the service, and then in reducing the amount payable by subscribers for the benefit of the service. On the same day a deed of trust was executed reciting that

the four shareholders wished to ensure that the company should remain under British control, and that the news offered to subscribers should be collected and supplied in an impartial manner. The deed repeated the desire of the parties thereto that the control of the company should remain British, and that their aims were not those of commercial gain. The four parties covenanted with the trustees that as shareholders in the company they would use their best endeavours to ensure the implementation of recommendations made by the trustees regarding the policy and methods of the company.

In March 1958, it was apparent that the company would make a loss for the accounting period ending on the 31st of that month, and that Rank and the B.B.C. would have to make additional subscriptions to cover the loss. Rank had not had any business dealings with the company, though some of its subsidiaries had had to a small extent. In the hope of improving the tax position Rank and the B.B.C. made a deed of covenant with the company on March 28th, 1958, to cover the tax years from 1957–58 to 1964–65; and each covenanted with the company to pay to the latter in each covenant year a sum equal to half the deficit. The deficit for the period from March 8th, 1957, to March 31st, 1958, was £125,180, of which Rank's share was £62,590. Rank sent the company a cheque for that sum less tax, and gave it a certificate showing that the amount of tax deducted was £26,600 *17s 2d*. The company claimed repayment of that sum.

It was contended for the respondent that the payment under the deed of covenant was a trade receipt of the company. It was contended for the company that the sum in question was not a trade receipt, because there was not a *quid pro quo* for it, and because Rank had had no trading relationship with the company during the tax year in question. The Special Commissioners decided that the sum was a trade receipt, and that the company was not entitled to repayment of tax.

Held (affirming the decision of Mr Justice Plowman): the Special Commissioners' decision was correct.

Reviews

The Management Audit

Third edition by T. G. ROSE. (Gee & Co (Publishers) Ltd, London. 10*s*.)

This admirable little book is a tribute to its author. It was written originally in 1932 and one might have assumed that it would have by now become outmoded and old-fashioned. A perusal of it, however, quickly assures the reader that this is not so. It is a thoroughly modern book in its essential message on the subject of the necessity of reviewing management techniques at regular intervals.

Perhaps one passage gives a clue to the passage of time, here the author refers to the annual audit as setting out the true financial position of the company and states that the managing director 'is relieved of any fear or error or misdirection here owing to the annual financial audit carried out by an independent firm of auditors'.

By 1962, all realistic accountants of progressive outlook are aware that an annual audit of itself is insufficient protection for the managing director in financial matters. Managing directors now need to know a great deal more about accounts than some of them did thirty years ago, and it is to be hoped that accountants appreciate and acknowledge the necessity of knowing quite a lot about the responsibilities and work of managing directors.

For this very reason, the accountant in practice as well as in industry will find stimulation in much of this short work. Many of the tasks assigned to the management auditor are the sort of tasks which the practising accountant himself must tackle – and if Mr Rose is right about the qualifications needed for the job (fifteen years' experience is his yardstick), then one cannot but agree with his conclusions that a combined financial/management audit such as is now envisaged by even small firms of accountants with progressive ideas, would best be achieved by the accountant and management consultant working together; and if accountancy firms include experts or specialists in management among their senior staff so much the better.

Know Your Accounts

by MARIE MELLOR, A.L.A.A. (Macdonald & Co (Publishers) Ltd, London. 12*s* 6*d* net.)

Designed to provide a knowledge of book-keeping for those engaged in retail trading, this new manual deals with documentation, cash and credit transactions connected with buying and selling and the mysteries of the trial balance, profit and loss account and balance sheet. It also takes in its stride departmental accounts, bank reconciliations, machine book-keeping and partnership accounts as well as providing 'an introduction to the journal proper'.

As the standard is elementary, the contents are not likely to be of sustained value to articled clerks but its usefulness to shop assistants, anxious to acquire a basic background on commercial accounting, is apparent. The text is mainly occupied by practical examples and there are a number of exercises for the student to work out when he has mastered the

principles explained in the subject-matter of each chapter.

One wonders, incidentally, why the author still apparently prefers the designatory letters A.L.A.A. which went out in 1939 when, following amalgamation with another body, the London Association of Certified Accountants became the Association of Certified and Corporate Accountants.

Auditing Principles

Second edition by HOWARD F. STETTLER, C.P.A. (Prentice-Hall International, Inc., 28 Welbeck Street, London W1. 70*s* net.)

Many practising accountants never refer to an auditing textbook, except perhaps fleetingly, after they qualify. The excuses they offer – pressure of work, developments in other branches of accounting which have to be mastered etc. – are all valid but it must never be assumed that auditing techniques are static. They are changing constantly and it is at his own peril that the practitioner neglects to keep up with them.

One of the best ways of always being well informed is to read – and not just dip into – recent textbooks on the subject and one that can be recommended, both because it has just been newly revised and because to British practitioners it deals with auditing from the American angle, is Professor Stettler's treatise which is at the same time scholarly and practical. The chapters on internal control, inventories, the effect of electronic data processing on auditing, audit sampling techniques and management advisory services are all of particular interest and for any Rip Van Winkle who has not yet caught up with the McKesson & Robbins fraud, there is a succinct ten-page summary of the case in one of the book's appendices.

Practical Financial Statement Analysis

Fifth edition by ROY A. FOULKE. (McGraw-Hill Publishing Co Ltd, London. 69*s* 6*d* net.)

When the fourth edition of this able analysis was reviewed in these columns in 1958, Mr Foulke was quoted as saying that the absolute standards of commercial measurement which the accountancy profession was striving to establish were still some way off and that a further period of experimentation and change in the form of financial statements lay ahead. According to the fifth edition, just published, he is (and, we think, rightly) still of the same opinion because he states that 'room for continued development is axiomatic' and he emphasizes his point by quoting that 'change is the only permanence'. All this, however, seems to clash with the view of his publishers who begin their blurb with the words – 'Completely undated . . .'. How, one wonders, can a book which records transitory trends remain completely undated?

It may be said, as was said before, that Mr Foulke, who has spent a lifetime studying investment analysis, explains in exemplary detail how to extract the really essential information from financial accounts and, what is more, how to put the essence so obtained to good use. Perhaps his publishers are not so far off the mark after all. Mr Foulke is clearly in advance of his time but it may be that his more astute readers, taking full advantage of his prescience, render his text out of date almost as soon as it is released.

Income Taxes in the Commonwealth

Second Supplement. (H.M.S.O., London. £3 7*s* 6*d* net.)

The great merit of this most comprehensive work on the income taxes in the Commonwealth is that it keeps pace with the changes which are continually occurring in the many territories involved, so that there is always at hand a conspectus of which one can be sure, not only that it has been most carefully prepared, but is up to date – or as nearly up to date as is practicable.

This new supplement includes many reprinted pages for insertion in the loose-leaf volumes, while the number of manuscript amendments to be made has been kept within bounds. The most extensive changes noted deal with the income tax laws of Malta; for other territories with separate income tax jurisdictions the changes are comparatively slight, but none the less important to know.

Only those who have been faced with the problem of finding out the current tax situation in a particular territory before the publication of this work, can appreciate what a blessing it is.

RECENT PUBLICATIONS

PERSONNEL RECORDS, FORMS AND PROCEDURES, by W. Durham. v+85 pp. 10×7½. 12*s* 6*d* (post 1*s* extra): Industrial Welfare Society, London.

GREEN'S DEATH DUTIES, fourth (Cumulative) Supplement to fourth edition, by D. J. Lawday, LL.B.(LOND.), and E. J. Mann, LL.B.(LOND.). xii+D.104 pp. 9½×6. Paper covers. 12*s* 6*d* net (Postage 6*d* extra). Main Work and Supplement: Price 97*s* 6*d* (Postage 2*s* 9*d* extra). Butterworth & Co (Publishers) Ltd, London.

QUALITY CONTROL IN THE OFFICE, by P. N. Wallis, F.C.A., F.S.S., A.M.B.I.M., A.C.I.S. 189 pp. 5½×8½. 30*s* net. Current Affairs Ltd, London. (An Office Magazine Publication.)

ECONOMICS OF INDUSTRIAL ORGANIZATION, fourth edition, by A. Beacham, O.B.E., M.A., PH.D., and L. J. Williams, M.A. xi+212 pp. 18*s* net. Sir Isaac Pitman & Sons Ltd, London.

A SUMMARY OF AUDITING CASE LAW, eighth edition, by E. Miles Taylor, F.C.A. vi+99. 9×6. 8*s* 6*d* net, 9*s* by post. Textbooks Ltd, Harpenden, Herts.

COMPANY LAW, by Christina Gorna. 7½×4½. viii+215. 10*s* net. Sweet & Maxwell Ltd, London.

INCOME TAX PRINCIPLES, fifth edition, by H. A. R. J. Wilson, F.C.A., and K. S. Carmichael, F.C.A. ix+183 pp. 5½×8½. 12*s* 6*d* net. H.F.L. (Publishers) Ltd, London.

THE LAW RELATING TO BANKRUPTCY, DEED OF ARRANGEMENT, RECEIVERSHIPS AND TRUSTEESHIPS, seventh edition, by O. Griffiths, M.A., LL.B. xx+260. 9×6. 25*s* net. Textbooks Ltd, Harpenden, Herts.

THE LAW OF RESTRICTIVE TRADE AGREEMENTS, by Jeremy Lever, M.A. 88 pp. 9½×6 card covers. 10*s* 6*d*. Sweet & Maxwell Ltd, London.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS COLLETT SMITH, ELLIOTT & Co, Chartered Accountants, of 20 Wormwood Street, London EC2, announce that as from March 31st, 1962, Mr HAROLD COLLETT SMITH, F.C.A., is retiring from the partnership but will continue to be associated with the firm for some time, as consultant. The practice will continue to be carried on under the same name by Mr PETER ALBERT ELLIOTT, B.A., F.C.A.

MESSRS COOPER BROTHERS & Co, COOPERS & LYBRAND and the firm of P. O. ÖHRLINGS REVISIONSBYRÅ, of Biblioteksgatan 26, Stockholm, announce that they have formed the Swedish firm of COOPERS & LYBRAND A.B. with offices at Stockholm, Luleå, Sundsvall, Falun, Örebro, and Mariestad.

MESSRS HARMOOD BANNER, LEWIS & MOUNSEY and MESSRS CASH, STONE & Co, announce that, as from May 1st, 1962, they are amalgamating their practices and that the joint practice will be carried on under the name of HARMOOD-BANNER, CASH, STONE & MOUNSEY. Sir WILLIAM CASH, M.A., F.C.A., Messrs G. K. COOK, F.C.A., W. P. SCOWCROFT, F.C.A., and A. W. WHITE, F.C.A., will act as consultants to the new firm. The practice will be carried on from the present addresses in Liverpool, London and elsewhere.

MESSRS KIDSONS, TAYLOR & Co, Chartered Accountants, of 1 Booth Street, Manchester 2, and Sardinia House, Kingsway, London WC2, announce that Mr G. S. ROSE, A.C.A., has been admitted into partnership as from March 1st, 1962. The firm's name will remain unchanged.

MESSRS LIND & Co, Chartered Accountants, of 338 Streatham High Road, London SW16, announce that Mr B. A. BURKE, F.C.A., will be taken into partnership as from June 1st, 1962, and that the firm's name and place of business will remain unchanged.

MR E. J. REYNOLDS, F.S.A.A., F.A.C.C.A., of 2 The Parade, St Albans Road, Hatfield, Herts, and Mr W. RUDERMAN, F.A.C.C.A., A.C.I.S., A.T.I.I., practising as W. RUDERMAN & Co, Midland Bank Chambers, Welwyn Garden City, Herts, have agreed to amalgamate their practices as from April 1st, 1962, under the style of REYNOLDS & RUDERMAN, operating from both addresses. Telephone numbers are unchanged.

Appointments

Mr G. G. Anderson, F.C.A., secretary of William F. Rees Ltd, has been appointed to the board.

Mr Jack Ashworth, F.C.A., has been appointed a director of Bank of London and Montreal, Nassau, Bahamas, and of Balfour Williamson & Co Ltd, London.

Mr Alan Christianson, M.C., F.C.A., has been appointed chief financial officer of South of Scotland Electricity Board.

Mr A. W. Gurney, A.C.W.A., has been appointed a director of Hadfields Steel Ltd and Hadfields Forgings Ltd.

Mr N. H. Martin, M.B.E., F.C.A., has been appointed vice-president and comptroller of the Northern Electric Co Ltd, Montreal, Quebec.

Mr E. C. Sayers, F.C.A., has been appointed a special director of Duport Ltd.

Mr D. R. Ward, F.C.A., has been appointed chief financial accountant of Hadfields Ltd.

CABINET POST FOR ULSTER CHARTERED ACCOUNTANT

Mr Herbert V. Kirk, F.C.A., partner in the firm of Palmer & Co, of Belfast, and member of Parliament for Windsor (Belfast) in the Northern Ireland House of Commons, has been appointed Minister of Labour and National Insurance.

His appointment follows the transfer of Mr Ivan Neill, the former Minister of Labour, to the vacant post of Minister of Education caused by the death earlier this month of Mr William Morrison May, P.C., F.C.A. (announced in *The Accountant* of March 10th).

SPECIAL COMMISSIONERS' OFFICE

It is announced that as from Monday next, March 26th, the Companies Division and the Income Tax (Special Assessments) Section of the Special Commissioners' Office will move to Lyon House, 31/37 The Broadway, Wimbledon, London SW19. Telephone: Wimbledon 9971.

The addresses of the other sections of the Office will remain unchanged.

IN PARLIAMENT

National Economic Development Council

Mrs CASTLE asked the Chancellor of the Exchequer whether the National Economic Development Council will be empowered to discuss the effects of take-over bids on investment and wages policy.

Mr BARBER: The Council will certainly be free to

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take into consideration any factors which it may think have a bearing on investment and wages policy. My right hon. and learned friend has tried to make it clear from the beginning that he would not seek to exclude any subject from its discussions, and that he would not arrogate to Ministers the right to fix the agenda.

Hansard, Mar. 8th, 1962. Written Answers. Col. 88.

Income Tax

Mr CALLAGHAN asked the Chancellor of the Exchequer what is the product of a 1*d* rate of income tax.

Mr SELWYN LLOYD: On the basis of the Budget estimates for last year the product of each 1*d* of the standard rate of income tax and proportionate amounts of the reduced rates is £30 million.

Hansard, Mar. 13th, 1962. Written Answers. Col. 140.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

Board of Governors' Annual Meeting

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at 55 Moorgate, London EC2, at 2.15 p.m. on Wednesday next, March 28th.

Executive Committee Meeting

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and six members were present.

Applications for assistance

Three new applications for assistance were considered; in two cases consideration was deferred until further inquiries had been made; in the third case a temporary grant was made. Twenty-one cases for further assistance were considered. In eighteen cases the grant was renewed; in two cases it was increased and in one case reduced.

Special Fund

One application for further assistance was considered and the grant was renewed.

Matters reported

The deaths of two beneficiaries were reported. Four special grants or donations made during the quarter were confirmed.

Integration

The Honorary Secretary reported that on January 22nd, 1962, the Court gave its assent to the integration of The Incorporated Accountants' Benevolent Fund with the Association.

THE ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

Mr T. G. B. Matheson, C.A., presided at the annual general meeting of The Association of Scottish Chartered Accountants in London held on February 28th, at the Hall of the English Institute, Moorgate Place, London EC2. Messrs R. A. Collet, B.L., C.A., and R. T. M. McPhail, M.B.E., C.A., retired from the committee and were succeeded by Messrs H. M. Angus, C.A., and J. K. Laurence, T.D., B.L., C.A.

Golf Club

The annual general meeting of the Golf Club followed, with Mr R. Wood, the captain, in the chair. The annual accounts were presented to the meeting and a vote of thanks was passed in favour of Mr T. N. Ritchie, the honorary auditor, and he was reappointed for 1962. The Committee for the ensuing year was announced as follows: Messrs R. T. Scott, R. J. Jamieson, N. S. Matheson and J. A. M. Kinnear.

Replicas of cups won at the annual competitions in 1961 were presented to: Mr R. T. H. Scott, for the Past Presidents' Challenge Cup; Mr K. R. H. Murray, for the J. Ivan Spens Challenge Cup; and Mr N. S. Matheson, for the Bogey Challenge Cup.

It was announced that the 1962 meetings would be held as follows:

Wood Cup, against the Chartered Accountants' Golfing Society, on Friday, April 27th, at the Berkshire Golf Club.
Moore Cup on Friday, May 11th, at Gleneagles.
Annual Competitions on Tuesday, June 19th, at Worplesdon.

Mr R. Wood appointed Mr S. S. Berlanny as his successor as captain for 1962–63.

C. W. BOYCE PRIZES

The Bradford and District Chartered Accountant Students' Society have announced that the C. W. Boyce Prize in respect of the November 1961 Final examination of The Institute of Chartered Accountants in England and Wales has been awarded to Mr Brian Tetley (articled to Mr J. W. G. Mitchell, F.C.A.).

The Society's prizes for the runner-up in the Final, and for highest marks in the Intermediate examinations have been awarded to Mr A. T. N. Geoghegan (articled to Mr G. W. Pearson, F.C.A.), and Mr B. Dixon (articled to Mr L. Hodgkinson, F.C.A.), respectively.

KENT AND SUSSEX CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The 1962 annual general meeting of the Society was held at the Royal Pavilion, Brighton, on February 24th, when some fifty members attended. The President of the Society, Mr A. G. J. Horton-Stephens, J.P., F.C.A., was in the chair and reported a year of

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continued progress, particularly in the Eastbourne and Kent areas of the Society.

The following officers were elected for the year 1962–63:

President: Mr G. W. Davies, F.C.A.
Chairman: Mr D. B. Evans, F.C.A.
Vice-Chairman: Mr C. P. Beard.
Hon. Secretary: Mr T. T. Nash, F.C.A., 33 Lawrence Road, Hove.
Hon. Assistant Secretary: Mr C. J. Allan.
Hon. Treasurer: Mr T. P. Buckley.
Committee: Messrs D. J. Goodwin (Maidstone); A. G. S. Hodgson (Eastbourne); P. G. Jagger (Brighton); D. G. Marchant (Brighton). (Hastings representative to be nominated.)
Liaison Officer with Senior Society: Mr C. R. P. Goodwin, F.C.A.
Branch Secretaries: Eastbourne – Mr P. W. Morris, Messrs H. S. Humphrey & Co, 17 Gildredge Road, Eastbourne. Hastings – Mr L. N. P. Jones, Messrs White, Withers & Co, 3 Endwell Road, Bexhill. Kent – Mr G. M. B. Theaker, Messrs Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent.

CERTIFIED ACCOUNTANTS' LONDON STUDENTS' SOCIETY

An amusing, instructive and lively mock company meeting was held at the Chartered Auctioneers' Hall, Lincoln's Inn Fields, London WC2, on March 13th. Mr F. H. Jones, F.A.C.C.A., prepared the manuscripts and acted as chairman of the company. He was assisted by Mr J. H. Hills, F.A.C.C.A., a member of the Council of the Association.

'THINKING IN FIGURES'

The use of analytical processes in mathematics for business management and for business education will be examined by Mr H. C. Edey, B.COM., F.C.A., a Governor of the City of London College and Reader in Accountancy at the London School of Economics, in a Travers lecture, entitled 'Thinking in figures', to be held at the City of London College on April 4th, at 6 p.m. The chair will be taken by Mr P. F. Carpenter, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales.

Accommodation is limited and there is a registration fee of 5*s*. Application forms are obtainable from the Secretary, City of London College, Moorgate, London EC2, and should be submitted on or before March 30th.

PARTNERSHIP IN INDUSTRY

'A working partnership in industry' will be the title of an address to be given by The Rt Hon. John Hare, O.B.E., M.P., Minister of Labour, at a luncheon meeting of the Industrial Co-partnership Association to be held on March 28th, at Connaught Rooms, Great Queen Street, London WC2. The chair will be taken by The Rt Hon. Sir Geoffrey Shakespeare, Bt.

Applications for tickets should be addressed to Mrs I. S. Ramsey, M.B.E., secretary of the Association, 36 Victoria Street, London SW1. Telephone: Abbey 3342–3.

EXECUTIVES' CONFERENCE

A three-day conference dealing with some of the major problems confronting British industry today will be held at the Grand Hotel, Brighton, from May 10th–12th. Sir James R. H. Hutchison, Bt., D.S.O., T.D., J.P., will open the conference.

Organized by Industrial Administration Ltd, subjects for discussion will include: 'Take-overs'; 'Outdated managements'; and 'Company Organization'. There will also be a special session devoted solely to the Common Market.

Further particulars are obtainable from the conference organizer, Industrial Administration Ltd, 18 Thurloe Place, London SW7.

HOCKEY

Insurance H.A. 3 – Chartered Accountants' H.C. 2

The annual encounter between the Insurance Hockey Association and the Chartered Accountants' Hockey Club, played on March 14th, was as usual a closely contested match, with the Insurance H.A. just gaining the honours by reason of their more constructive attack. The close passing of their three inside forwards, Cardoza, Howells and Turner, was a feature of the game but for long periods they were well held by the Accountants' defence, in which Charlton was a tower of strength. The Accountants took the lead following a breakaway when Purnell scored with a fine drive. A few moments before half-time Turner equalized.

After the interval the Insurance H.A. went ahead with a good goal by Cheesman but the Accountants rallied and twice managed to get the ball into the net, but both times the goal was disallowed. Eventually, however, justice was served and Marcus levelled the scores. The last five minutes found the Accountants tiring but Angus in goal played manfully and made several good saves. The Insurance H.A. were not to be denied and Cardoza settled the issue with a fine shot with only a few minutes left for play.

Chartered Accountants' H.C. team:

P. Angus (Harpenden), M. A. Charlton (Rickmansworth), D. Cornfield (Wimbledon), M. J. Hodder (Berkhamsted), R. E. Brayshaw (Southgate), J. D. Liggatt, Captain (Broxbourne), D. Marcus (G.W.R.), R. G. Purnell (Blackheath), W. E. Lawes (Richmond), P. Duffin (Tulse Hill), P. Fishpool (Broxbourne).

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THE ACCOUNTANT

ESTABLISHED 1874

MARCH 31ST, 1962 VOL. CXLVI. NO. 4554

CONTENTS

	Page
Shareholders All?	373
Permanent Files for Tax Purposes by *Félice V. Slade, A.C.A.*	375
Fixing the Rates by *A. R. Ilersic, B.Com., M.Sc.(Econ.)*	379
Weekly Notes	381
This is My Life . . . by *An Industrious Accountant*	384
Finance and Commerce Hartley Baird Ltd – Cable and Wireless (Holding) – City Notes – Rates and Prices	385
Reviews	389
Correspondence	393
Taxation Cases Godden *v.* A. Wilson's Stores (Holdings) Ltd – Griffiths *v.* J. P. Harrison (Watford) Ltd	394
The Institute of Chartered Accountants in England and Wales Findings and Decisions of the Disciplinary Committee	395
New Legislation	395
New Office Equipment	396
Notes and Notices	398

Shareholders All?

TO the extent that economic growth is dependent upon the rate of investment, willingness on the part of the community to defer consumption and save is a prerequisite of higher living standards. There is general agreement that a major contributory factor to West Germany's economic expansion during the past decade has been the relatively low level of consumption which has permitted a correspondingly high rate of investment. As a source of investible funds emphasis tends to be placed nowadays upon the role of the institutional investor. It is true that the private investor is less of a force in the capital market than he once was, but the publicity often attached to institutional investment tends to obscure the fact that the largest financial institutions ultimately rely upon the inflow of numerous small funds from a large number of savers.

The truth of these observations is underlined by a recent survey among small savers sponsored by the Wider Share Ownership Committee which reveals that the bulk of small savings are invested in the Post Office Savings Bank among other such banks, in bank deposits and especially in building societies. Nevertheless, the same survey discloses that there are as many share-owners in the lowest white-collar grade as there are in the highest, although proportionately they form a smaller part. Furthermore, 10 per cent of all share-owners are skilled manual workers, although their proportionate stake in British industry is very much smaller.

Despite the evidence adduced in this report from the Wider Share Ownership Committee, which serves to confirm the findings of an earlier inquiry carried out in 1959 by the Acton Society Trust, the fact of the matter is that the majority of people do not regard shares as suitable forms of investment for the small saver. The reasons for this attitude are that equities are risky; share prices can fluctuate widely and, for the investor with limited resources, this type of investment is not worth while. In contrast, the attractions of a deposit in a building society for this type of saver are considerable.

There still seems to be little public awareness of the disadvantages of holding monetary assets in these days of secular inflation. Although the above-mentioned survey disclosed that 5 per cent of a sample of 568 men actually held some shares, the reasons adduced for this choice of investment depended not so much on the attractions of equities as an inflation hedge but rather because they offered the possibility of a tax-free gain. It was, it would seem, the element of gambling rather than the prospect of dividends that represented the main attraction.

Quite apart from the inherent risk for the small investor of putting all his limited resources into one basket, there are other considerations which influence his attitude towards share ownership, among which is a lack of knowledge of the market and the procedure for acquiring shares. Few small savers are capable of selecting their own shares for investment, although the survey conducted for the Wider Share Ownership Committee disclosed that once a person had made an investment, usually on the advice of his bank manager, a broker, or a friend, he usually followed his own choice thereafter.

Interest in shares as a form of investment for the smaller saver is clearly a development of relatively recent date. Habits die hard and the survey reveals that the attractions of share ownership are much more evident to the members of the under-forty age group than to their seniors. So marked is the divergence in outlook between the two age groups that the compilers of the survey conclude that the 'greatest potential for attracting new share-owners lies in people under the age of forty'. Unfortunately, this group tends on the whole to have few funds available for such investment, in contrast to the older age groups. As an alternative to outright share purchase, a system of instalment buying was suggested in the course of the survey. This seemed to attract in the main the younger age group and those in the lower income groups, but there was some evidence that many would be unwilling to commit themselves to making regular payments within the framework of a group scheme. The investment potential of the small saver is nevertheless considerable. According to the survey the two main middle income groups, numbering about ten million, contain as yet less than three-quarters of a million share-owners among whom the average shareholding is less than £500.

In an increasingly affluent society the rate of saving from all sections of the community is likely to increase. One estimate quoted in the report of the sponsoring committee suggests that the current annual flow of net savings by private investors is about £50 to £75 million, but by 1975 this may well reach a total of between £220 and £295 million. Quite apart from the overall increase in the volume of savings, there is the possibility for many savers who at present prefer building society deposits etc. to change their investment habits. At present, within the two highest social classes there are about one million men who do not own any shares, in addition to a similar number who own more than £500 each.

The basic question, however, remains difficult to answer. How should these resources be channelled into industrial investment? However strong the case for encouraging the small investor to take up equities, how many readers of this journal would, if asked by a client with less than £1,000 in life savings over and above his home and life assurance, recommend any single equity? With increasing industrial competition the task of spotting 'winners' for the small investor is becoming increasingly difficult. The emphasis laid upon the possibilities of tax-free capital gains by respondents in the above survey suggests that the publicity given to past stock-market booms has left its mark on the public mind to such an extent that equity investment is synonymous with making money easily. Nothing could be more disastrous for hopes of more extensive share ownership in British industry than that some small investors should suffer serious losses (for them) in their own holdings. The limitations and defects of the unit trust movement are real enough, but the fact remains that they offer to the small investor not merely the prospects of some capital appreciation to counter the erosion of his savings by inflation, but security through a spreading of risks on a scale that few private investors can ever hope to achieve.

It is undoubtedly to the credit of the Wider Share Ownership Committee that it has already in its short life done so much to stimulate interest in equity investment for the small saver. No doubt, as the committee suggests, the Government could help by removing or reducing the stamp duty. It is noticeable that no one has as yet referred to the implications of MR SELWYN LLOYD'S views on a separate corporate tax. If this were to be introduced on the American pattern with a negligible tax credit for the shareholder, it could harm the attractions of equity investment. The most important need, however, is an assurance of profitability coupled with security. It should not be necessary to make a take-over bid before some boards become alive to their responsibilities towards the people whose money they are handling.

Permanent Files for Tax Purposes

by FÉLICE V. SLADE, A.C.A.

WITH the complexity of tax work nowadays and the more frequent changes in tax staff than formerly, it is virtually essential in professional offices, if matters are not to be overlooked and time costs are to be kept to a minimum, that some form of permanent notes be kept for tax purposes. Whether they should take the form of separate files or of notes brought forward on the clients' ordinary tax files will depend to a large extent upon the size of the cases concerned.

Some of the points which the permanent notes might usefully cover are discussed below and for convenience those applying mainly to companies rather than to individual clients are dealt with first, under headings (1) to (4).

1. Capital Allowances

An increased rate of annual allowances may be obtained where the Commissioners of Inland Revenue are satisfied that the extent of use of an asset is such that the wear and tear suffered is greater than would be expected from normal use. It may be that a company has worked certain machines, say, double shift or more, for some years during which increased allowances were obtained, and then reverted to normal working. If no permanent note is made of the dates when abnormal working began and ended, and of the machines affected, it will be difficult to calculate any balancing allowance or charge without waste of time when an asset is sold.

Special rates of capital allowances may be agreed with the Inland Revenue for special classes of machinery where the rates in the published list are not wholly appropriate. A permanent note of the agreed percentages and of the types of plant to which they should be applied is then helpful in avoiding the inclusion of any asset under the wrong heading in the capital allowances computations.

A note should also be made of the date of any switch from the normal (diminishing instalment) basis to the alternative (straight line) system of calculation of capital allowances and of any change-over from the replacements basis to capital allowances. It is often the case that certain items of a company's plant and machinery are dealt with on a replacements basis and the remainder is included in the capital allowances computations; a note is then useful confirming which items are dealt with on which basis.

2. Stock and Work in Progress

From time to time questions are likely to be asked by the inspector concerning the precise basis of the valuation of stock and work in progress and – particularly if the audit and tax work are carried out by different departments – a permanent note on this matter will enable these questions to be answered with the minimum amount of time spent in discussion within the office or with the client.

3. Shareholdings

In the case of private companies a list of the shareholdings, kept up to date, is useful for reference not only in dealing with inquiries from the Inspector of Taxes but also, from time to time, when other questions arise.

4. Directors

For profits tax purposes in particular, a permanent note should be kept of the names of the directors – and of their shareholdings if there is no separate list of shareholders – stating also which directors are whole-time service or full-time working directors and whether the company is director-controlled.

A note of any dispensation obtained in respect of directors' expenses is of assistance in dealing with the income tax returns and assessments of the directors themselves.

5. Double Taxation Relief

Section 18 of the Finance Act, 1961, is probably the latest example of tax legislation that at first sight cries out for the need for some form of *aide-mémoire*. This section remedies the effect under the previous practice in relation to the assessment of foreign income – which was that there was at least one year's United Kingdom assessment against which no double taxation relief was given. A permanent note of the date of commencement of the foreign income will be appreciated when the source comes to an end, possibly many years later. Then, if the addi-

tional actual tax credit which was granted under section 18 for the 'opening' year exceeds the tax credit which would have been due for the period not charged to United Kingdom income tax because of the cessation provisions, an assessment will be raised under Case VI so that the liability on that assessment equals the 'excess' tax credit.

If no note of the date of commencement of the source is kept, a laborious search may have to be made in files that have possibly been closed and relegated to the store-room to ascertain which was the opening year for which the additional tax relief was received and with which comparison must be made to determine whether a Case VI assessment will arise. Certainly the onus is on the Inland Revenue to raise a Case VI assessment, if appropriate, and the inspector would then make the calculation, but, for other purposes such as forecasting a client's tax liabilities or advising on the effect of a proposed sale of a source of foreign income, the information should be available in the tax department.

With ordinary double taxation relief claims on, say, overseas dividends it is useful to keep a running note of the year to which the claims have been settled. It often happens that, owing to pressure of work or lack of information regarding overseas rates of tax, claims are not submitted for some time, meanwhile the supporting vouchers may be anywhere in the office, and this may mean that the tax clerk has to browse through the files for an unnecessary length of time to ascertain just what the position is in regard to double tax claims.

6. Maintenance Claims

In country estates maintenance expenditure may arise on non-agricultural and agricultural property respectively. The non-agricultural expenditure may be incurred on the mansion and on the non-agricultural property let furnished or unfurnished, while any agricultural repairs will be to the farm and agricultural cottages. It may be that the repairs appropriate to the furnished lettings are charged in the Case VI computation rather than in the maintenance claim, particularly if the total repairs expenditure on the non-agricultural property is more than sufficient to give rise to the maximum amount of maintenance relief on the property in that category. It may also be that the agricultural repairs are charged in the farm computation in order to obtain the tax relief more quickly than under a maintenance claim and, if a Schedule D election has been made in respect of any woodlands the repairs to, say, the foresters' cottages are probably charged in the Schedule D computation on those woodlands.

A brief note showing the various assessments against which the different types of repairs expenditure are claimed is worth keeping.

In the event of all the repairs expenditure being included in the maintenance claim it will likewise be necessary to differentiate between repairs to agricultural and non-agricultural property so that any excess maintenance relief may be claimed under section 313, Income Tax Act, 1952. From some of the bills it will be obvious to which property the expenditure relates, but for general purchases, such as paint, some arbitrary basis of apportionment is usually necessary. The ratio of the statutory repairs allowances on the agricultural and non-agricultural property, respectively, may be adopted but whatever basis of apportionment is used a note of it should be maintained.

7. Schedule A and Excess Rents Assessments

If a client owns numerous properties it may be difficult to keep track of the terms of letting, for example with regard to responsibility for repairs, rates, period of the lease, etc. Information on these points may be received piecemeal and be lost in the correspondence file by the time that, say, the excess rents computations are prepared, unless permanent notes, kept up to date, are maintained.

8. Woodlands

Notice of election to be assessed under Schedule D in respect of commercially managed woodlands must be given within two years after the end of the year of assessment for which it is first to operate, and must extend to all woodlands so managed on the same estate, except that woodlands that are freshly planted or replanted may be treated as being on a separate estate if the occupier gives notice accordingly within ten years after planting or replanting.

Care should be taken to identify the plantations transferred to Schedule D and, particularly if a large replanting scheme is being undertaken, an estate plan should be obtained distinguishing the various plantations and showing the approximate dates when it is proposed to commence the planting or replanting of each. This should prevent any claim under section 125, Income Tax Act, 1952, falling out of date and help to ensure that receipts and expenses in respect of only the specified areas are brought into the woodlands accounts submitted under Schedule D. Also the

acreages shown on the plan will enable the reductions in the Schedule B assessment to be checked. Such an estate plan and programme of planting or replanting belongs essentially to the permanent file as it may have to be referred to for many years.

9. Underwriters

Underwriters receive special treatment for tax purposes in several respects and the permanent file might well include notes stating:

(*a*) whether earned income relief is allowable on the profits (i.e. whether the client is actively engaged as an underwriter at Lloyd's). Such information is useful not only for checking the income tax liabilities on the underwriting profits but also in calculating any restriction for earned income relief in section 341 computations on losses from other sources;

(*b*) whether the client has elected to set sums aside in a Lloyd's special reserve fund;

(*c*) if so, what particular investments represent the Lloyd's deposit and premium trust fund etc. Interest from these investments may get 'lost' in the general list of dividends and interest and not be identifiable when the profits tax computations are prepared.

10. Earned Income

It is all too easy, when faced with a mass of notices of assessment for checking, to overlook the fact that assessments on salaries, pensions and profits from trades or professions are not the only ones that may give rise to earned income relief. Infrequently Schedule A and B assessments also rank for earned income relief, namely, when property is attached to or forms part of the emoluments of an office or employment of profit. Furthermore, dividends from shares allotted to an employee by his employer and taxed annuities can rank as earned income. If no part of the earned income relief is to be overlooked, a permanent note of the less obvious sources of earned income is worth while.

Conversely, if any partnership profits represent unearned income (because the client is a sleeping partner), the fact should be noted, as this will affect not only the entitlement to earned income relief but also the order in which the share of any partnership loss should be set off against other income under a section 341 claim.

In the case of directors' fees and commissions etc., it is also useful to have a note stating whether the income tax assessments are based on the income earned during the fiscal year of assessment or during the company's accounting year ending within the year of assessment.

If a married woman is in receipt of a retirement pension in her own right rather than by virtue of her husband's contributions, a note should stress this fact so that the additional personal allowance (wife's earned income relief) and wife's reduced rates relief are not overlooked.

11. Age of Client

In personal tax cases the age of the client is a material factor for such purposes as age relief or age exemption, retirement annuity relief, payment of post-war credits, entitlement to retirement pension and cessation of National Insurance contributions. A permanent note of the age of senior clients is helpful in avoiding the oversight of any appropriate claims or the receipt of a pension.

12. Post-war Credits

A permanent note of the amounts of any post-war credits, showing the years and numbers and, if possible, the whereabouts of the certificates will save time when a claim for payment of the credits comes to be made and, when payment has been made, if a note of the date of settlement is added to the record, a ready answer is provided to the question which may arise from time to time in the future – 'Has old Mr——— drawn his post-war credits yet?'

It is obvious that a note ought also to be made when a younger person has been paid his credits by virtue of his suffering from one of the specified disabilities.

13. Non-entitlement to Allowances

It is sometimes useful to have a note confirming that a client is *not* entitled to certain allowances. For example, in the case of a widower or widow the question arises whether he or she is entitled to housekeeper relief, and, if an answer in the negative is received, it is scarcely necessary to repeat the question every year when preparing the income tax return. The same applies to dependent relative relief. The question should be raised at least every six years but meanwhile a note on the permanent file (showing the date of entry) removes doubt and saves the client from being troubled with unnecessary questions.

14. Deeds of Covenant

There is a danger that a deed of covenant may expire and not be renewed promptly, with the result that one or more payments after the date

of expiry may have to be regarded as gifts not ranking for tax relief, in which case both the covenantor and covenantee may suffer financially. A permanent note showing the following particulars should prevent this happening: (1) date of deed; (2) due dates of first and last payments; (3) amount of annuity, showing whether covenanted gross or net; (4) interval at which payable; and (5) names of convenantor and covenantee.

Such a record will also enable ready reference to be made, upon a change in the standard rate of income tax, to all covenants expressed in a gross amount so that client covenantors may be advised to amend the net amount of their future payments appropriately.

It is suggested that pre-1939 free of tax covenants should be specially marked to avoid any error being made in the calculation of the gross amounts of the annuities.

In the event of a client entering into a covenant in favour of, say, someone in his employment, so that a claim for surtax relief is debarred, a note to this effect should be made so that periodically the position may be reviewed and in the event of the employment ceasing before the covenant has come to an end, a claim for surtax relief for the future may be established.

15. Tax Reserve Certificates

A record of any tax reserve certificates held, showing the dates, numbers, amounts, rates of interest allowable and how each certificate was used, together with a note of the whereabouts of unused certificates, is of assistance particularly when a client buys the certificates at fairly frequent intervals (say, £*x* per month by bankers' standing order) or when he provides for more than one year's tax liabilities at a time.

It is not always most beneficial to use the earliest certificates first, particularly if they have been bought, say, monthly, and if the best advice is to be given to the client when tax demands are passed for payment, an up-to-date summary of the certificates held is essential; this presupposes, of course, that the method of purchase of the certificates will first have been discussed with the client and if they are bought at random that the client will have sent in details of his purchases. Such notes can also help to prevent an over-reserve for tax liabilities with a consequent loss of interest on the certificates.

16. Sources of Information

In the larger personal tax cases it is often necessary to apply to quite a number of persons for information for the income tax return etc. The client may, for instance, own estates in different parts of the country with a different agent in charge of each; local accountants may also be employed as well as overseas agents, one or more solicitors, a stockbroker and private secretary, and there may be several accounts at different banks as well as underwriting agents, trustees, etc.

A note of the various sources with brief details of what information is available from each will obviously save time, not only annually when information is being sought for the income tax return, but also at other times when correspondence arises on any of the items.

17. Historical Notes

Especially in the larger personal cases too, valuable information, particularly of events, may become buried in the correspondence file which grows in size all too rapidly. If, for instance, separation of a husband and wife has occurred, the date on which the separation took place and the basis of any apportionment of the child allowances is worth recording permanently.

Notes of a variety of items which may have to be referred to in the future at long intervals can act as very useful 'minutes'. For both companies and individuals, brief references to any outstanding topic of correspondence with the Inland Revenue, giving dates, can be useful if, for instance, some years later a new inspector starts an argument or inquiry on a point that has been thrashed out before.

Also, some clients ask to be supplied with a copy of, say, the income tax returns or Schedule D computations and if no note to this effect is made there is a danger, particularly in the event of changes in staff, of such requests being overlooked.

* * *

These suggested topics are not intended to be exhaustive and others will readily come to mind. On the other hand it will be argued by some that certain of the notes suggested for companies are best included in an audit permanent file; this may well be so, although some firms do not keep such a file.

The important point is that permanent notes should be held *somewhere*, kept up to date and referred to at least annually when the individual's tax returns or the company's computations are prepared. No one client's 'permanent file' is likely to have to cover all the points discussed here, but it can be of the greatest assistance whether it consists of merely one note or of several pages of memoranda.

Fixing the Rates

by A. R. ILERSIC, B.Com., M.Sc.(Econ.)

SPECULATION regarding the outcome of the 1963 revaluation for rating purposes has been widespread in local government circles and elsewhere for much longer than the past few months. It was therefore quite fortuitous that some tentative estimates of mine[1] regarding the possible consequences of that revaluation should have attracted considerable publicity, while others made earlier did not. In response to the public discussion which ensued, Dr Charles Hill, the Minister of Housing and Local Government, informed the House of Commons earlier this month that 'householders as a whole all over the country will not sustain an increased proportion of the rate burden'. This part of his statement attracted rather more publicity than the important qualification that the experience of ratepayers in different areas would vary. This was generally expected and the White Paper *Revaluation for Rates in 1963* (Cmnd. 1663), which appeared last week, indicates the prospective variation between different areas. Thus, in a dozen counties and county boroughs domestic ratepayers' share of the aggregate rate contribution will fall by 16 per cent or more; in three other rating authority areas there is a corresponding increase.

What Went Wrong?

According to the White Paper the share of domestic ratepayers in the aggregate rateable value for England and Wales will fall from 42·04 to 41·35 per cent. It is this figure which is in such marked contrast to earlier estimates, all of which were influenced by the statement of the former Minister, Mr Henry Brooke, in the second reading of the Rating and Valuation Bill in November 1960, which foreshadowed significant increases in the householders' shares. Post-mortems are always depressing but it is essential to know what went wrong. In this particular case, what happened to falsify general expectations and, as *The Times* commented, probably surprised Mr Henry Brooke more than any one else? The purpose of the Rating and Valuation Act under which the revaluation was held was to bring all valuations on to a current rental basis. Since domestic property was (and still is) valued on the basis of 1939 rentals, while industrial and commercial property is valued on 1956 rentals, subject to 50 and 20 per cent derating relief, respectively, the only question was: 'To what extent will the values in each of these main classes of hereditament increase?'

In one of my own estimates the factors used to convert current values on to a 1963 basis are given in the first row of the following table.

	Domestic	Industrial	Shops	Commercial	Miscellaneous	Crown
My estimate	3·5	3·0	2·1	2·1	1·5	1·5
White Paper	4	6	3·5	3·5	3	3

Applying these factors to the distribution of rateable value as at April 1961, the relative share of domestic property was expected to increase from 47·6 to 60·5 per cent, equal to an increase of 27 per cent. Similar estimates had been made, in particular by Mr R. A. Chisholm, F.I.M.T.A., County Treasurer of Cheshire, and by Mr Philip Bean, a chartered surveyor and valuer, which varied about my own figure. All were agreed, however, that the domestic ratepayer would contribute proportionately more after April 1963. It is possible from the data given in the White Paper to estimate roughly the comparable factors necessary to convert current values within each main class of rateable value on to the 1963 basis and produce the inter-class distribution of rateable value predicted after April 1963 in the White Paper. This is possible because it is stated that values of domestic property have been increased fourfold, and given the resultant percentage change in the distribution disclosed in that document, a little arithmetic fills in the gaps. The approximate factors on the basis of the White Paper results are given in the second line of the above table. While strict comparability is not possible due to the slightly different classification used in the White Paper, there seems to be no good reason for believing that these derived figures are seriously inaccurate.

Misleading Comparison

The most important figure is that relating to industrial hereditaments and, for reasons given below, the factor for commercial property is significant. These two figures must, however, be adjusted to take account of the loss of the derating relief as from April 1963. Thus, since industrial hereditaments are currently derated to the extent

[1] To appear in the *Journal of the Royal Statistical Society*, June 1962.

of 50 per cent, the effective overall increase in that class of rateable values is threefold. The same approximate result is derived for commercial properties when allowance is made for the loss of the current 20 per cent relief. It would appear, therefore, that the rateable values of industrial and commercial hereditaments have been increased about three times, compared with a fourfold increase in domestic values. This comparison is utterly misleading. Whereas a fourfold increase for domestic ratepayers is not unreasonable, bearing in mind that current rateable values are based on 1939 rentals, the same is not true of the other two classes of hereditament. Both industrial and commercial property were valued in 1956 on a current rental basis, although a measure of derating was granted to each class. When allowance is made for the loss of de-rating, the implication is that the rentals of these two classes of property have during the past seven years risen by 200 per cent. This is quite ridiculous. Some increases there undoubtedly have been; for example, Mr Philip Bean in a paper, 'The next revaluation', read to the Rating and Valuation Association's conference last September, contended that there was 'a growing volume of rental evidence coming to hand' from which 'it would seem that the net annual value of shops and commercial premises could be increased by more than 50 per cent'. Mr Bean based his forecasts of the 1963 revaluation on the basis of an overall increase in such rentals of about two-thirds. In the case of industrial property he considered that a 50 per cent increase was fair. Yet the official figures given in the White Paper can only be explained on the basis of an increase nearer 200 per cent.

Possible Explanation?

Just how this result has been achieved, it is difficult to say. The most obvious explanation would be that the 1956 valuation did not in fact produce rateable values for commercial and industrial properties which were based on the then ruling rentals. This argument is of doubtful validity, although in some areas it is just possible that it applies. An authoritative study, *The Rating of Dwellings* (page 89), sponsored by The Institute of Municipal Treasurers and Accountants, concluded that the 1956 revaluation achieved 'a greater measure of uniformity in assessment than in any (revaluation) that has gone before'. Mr Henry Brooke stated in the second reading of the Rating and Valuation Bill that commercial properties were entitled to expect some reduction in their share of the rate burden under the 1963 lists in view of their high assessments in 1956. These had already been reduced by 20 per cent in the following year to moderate the impact on that class of occupier. Nor can the felicitous outcome for domestic ratepayers as a class be explained by the higher statutory allowances to be given against the new gross values. The only explanation which makes sense is that industrial valuations in particular, if not commercial, have been raised to the maximum possible extent. On the assumption that the same rate revenue is raised in 1963–64 as in the current financial year, industry will contribute about £118 million as against £80 million as at present. As a class, commercial property occupiers will contribute relatively less than at present, about 10 per cent. In absolute terms, however, given the rising trend of rate payments the aggregate payment from this class is not likely to change as between 1962–63 and 1963–64. The implications of these higher valuations will be felt in the years ahead, as the argument in the leading article in this journal a fortnight ago pointed out.

Variations in Domestic Rating

The considerable variation between the changes in the share contributed by domestic ratepayers in different rating areas was generally expected. It was expected, however, to occur in the opposite direction. It is clear from the White Paper that the burden will be increased on domestic ratepayers in those areas where there is little, if any, industry, i.e. in the southern counties. All the earlier private estimates predicted the reverse situation, i.e. heavy increases for householders in the industrial areas. Since the burden has been thrown on to the industrial ratepayer that forecast has been disproved. It is nevertheless important to remember that in those areas where the householder gets relief, there must be a corresponding increase in the rate charge for the other two main classes of ratepayer. Even the regional variations themselves are, as the White Paper carefully points out, no guide to what individual ratepayers' experience is likely to be. In a rating area such as Berkshire, where the householders' share of the rate burden is estimated to increase by 11 per cent, individual householders are likely to have very different experiences. The valuation of the modern bungalow must be increased much more than the older and less convenient house. Much the same is true of commercial properties. The biggest uncertainty of all is the 20 per cent increase in the rate deficiency grant, which has played its part

in mitigating the effect of the revaluation on the domestic ratepayer. But, until we know how the total rate deficiency grant is to be distributed, it is impossible to judge which areas it will help most.

The most gratifying feature of the White Paper is the clear statement that the Minister does not propose to exercise his powers of abatement, since in no case is the prospective increase deemed to be unreasonable or 'excessive'. In a paper 'Some consequences of the 1963 revaluation', read to the Rating and Valuation conference last September, I criticized the proposals for abatement on the grounds that they could not be operated equitably and, in any case, they represented a breach of the basic objectives of the 1963 valuation. On the other hand, since the distribution of industry throughout England and Wales is not even as between rating areas, as a result of the very sharp increase in industrial valuations, residential property in such areas is to enjoy for the next quinquennium a quite substantial subsidy at the expense of industry. Organized industry was very displeased over the Minister's powers to abate 'excessive' domestic valuations and obtained an assurance that such relief would be for the duration of the next quinquennium only. It seems very likely that during the next few months the Minister of Housing and Local Government will be hearing a great deal from industry about his proposals!

On reflection it seems clear that the 1963 valuation, like that of 1956, has been bedevilled by political considerations. It will, in due course, be seen as just another stage in the sorry history of valuation reflecting the political morass into which the whole question of local government finance has become bogged. The local rate as a tax undoubtedly has its defects, but in the past 350 years no one has thought of a better substitute. It cannot be sufficiently stressed, however, that those defects are not overcome by following a policy based on political expediency.

Weekly Notes

SCOTTISH INSTITUTE'S NEW PRESIDENT

MR JAMES C. STEWART, C.A., was elected President of The Institute of Chartered Accountants of Scotland for the year 1962–63 at the Institute's annual meeting held in Edinburgh last Wednesday.

Mr Stewart was educated at Bearsden Academy and Glasgow High School. In 1922 he became apprenticed to Messrs Aitken & Ramsay, Chartered Accountants, of Glasgow, and was admitted to membership of the former Institute of Accountants and Actuaries in Glasgow in 1928, when he joined the firm of Messrs Wilson, Stirling & Co, Chartered Accountants, of Glasgow. He was made a partner in that firm in 1938 and has been senior partner since 1957.

Mr Stewart has been a member of the Council of the Institute since 1956 and has served on numerous committees, including the Examining Board from 1951 and the Glasgow Local Committee from 1953. He is a director of The Accountants' Publishing Co Ltd, and is Convenor of the Glasgow Library Committee of the Institute. From 1950 to 1951 he was a member of the General Examining Board of the Chartered Accountants of Scotland which operated prior to the amalgamation of the three Scottish accountancy bodies in 1951. At present he is Vice-Chairman of the Overseas Accountancy Examinations Advisory Board, on which the Scottish Institute is represented along with The Institute of Chartered Accountants in England and Wales and The Institute of Chartered Accountants in Ireland.

Apart from Mr Stewart's professional practice, he is a director of three public companies and several private companies. He was a member of the Scottish Departmental Committee on Prescribing Costs from 1957 to 1959 and, for some years in the 1940s, was Secretary of the New Kilpatrick Unionist Association. Before the formation of Bearsden Burgh, he was a member of New Kilpatrick District Council. He is at present, as the Institute's representative, a director of the Glasgow Chamber of Commerce.

He is keenly interested in church affairs, being a member of Bearsden North Church, of which he is an Elder and Clerk to the Deacon's Court. His church has nominated him to membership of the Dumbarton Presbytery. His chief hobby is photography.

Mr W. L. Milligan, B.A.(CANTAB.), C.A., J.P., has been elected Vice-President for 1962–63. He was admitted to membership of the former Society of Accountants in Edinburgh in 1933 and three years later became a partner in the firm of Messrs Chiene & Tait, Chartered Accountants, of Edinburgh, where he is now senior partner. Mr Milligan has been a member of the Council since 1957. (The annual meeting will be reported in *The Accountant* next week).

PLAIN WORDS TO THE CHANCELLOR

ON Monday the Chancellor of the Exchequer received an open letter about his coming Budget which must have been a somewhat chastening experience. It came from the Council for the Reduction of Taxation and it told Mr Lloyd in no uncertain terms that his efforts to curb the growth of public expenditure had signally failed. After pointing to the increase in taxation since 1951, and the fall in the real value of the currency by one-third since 1948, the Council told Mr Lloyd that the increase in public expenditure was the primary cause. It also took the Chancellor to task about the practice of taking special deposits from the banks and made dark references to the use of the printing presses to create money, with the inevitable concomitant of inflation. The Council asserts that 25 per cent is the maximum safe proportion of the gross national product which should be taken by taxation in peacetime.

BANK RATE BACK AT 5 PER CENT

MUCH has been made of the fact that the restoration of Bank rate last week to 5 per cent has been completed with a reduction of ½ per cent only a fortnight before the Budget and only shortly after the reduction from 6 to 5½ per cent.

The continuing inflow of short-term funds is the main cause of the change and it will be surprising if the gold reserves when next published do not show a further increase. The improved prospect for exports, and it has to be emphasized that the improvement so far has only been in prospects and not in reality, has also no doubt decided the authorities to relax the credit situation somewhat.

It is inevitable, however, that a reduction even of ½ per cent so close to the Budget is bound to give the new Bank rate some particular connotation for the internal economy. There have been indications that the slowing down in the production of capital goods in the last few months has been more serious than the Government bargained for and there is little doubt that a continuing rigorous credit policy at home is likely to affect particularly building construction and new plant and equipment. The whole doctrine of contraction of the internal market to stimulate exports has been seriously challenged of late, since it has been widely admitted that to reduce the demand for goods in the domestic market is not automatically to increase the flow of exports.

For a number of reasons, therefore, the return to 5 per cent has been taken as a signal that better business prospects all round are to be officially stimulated for the rest of 1962 and that the Budget when it comes will be a less severe affair for the taxpayer than was expected in the closing months of 1961. One consequence of all this will inevitably be that discussion of the impending capital gains tax proposals will have an added fascination.

TRADING FOR CAPITAL GAINS

THE quotation below is from an article by Mr William Rees Mogg in the City Section of *The Sunday Times* last Sunday.

> 'The Chancellor seems to be planning a short-term gains tax, with no allowance for losses, and it is very doubtful that he will feel able to reduce or abolish stamp duty, even for non-residents. There can be no doubt that this type of capital gains tax will be widely attacked and resented.
>
> 'A tax on people who trade for capital gains can certainly be justified, but it must be on the same basis as the taxation of any other trade. A Stock Exchange dealer, amateur or professional, is carrying on a perfectly lawful and in fact a useful occupation; he takes a risk, makes a market and hopes for a profit. A situation in which the Government shares only his winnings could easily lead to him paying large sums of tax in a year in which he had made – as speculators of any kind often do make – a net loss. Such a discrimination is inherently unreasonable; it would be avoided by some and rightly resented by others. It is essential that any form of taxation should be manifestly fair.'

The idea of a professional stock exchange dealer not being allowed to deduct his losses is certainly a startling one.

MISS JACQUELINE DU PRÉ

CONGRATULATIONS to Mr Derek du Pré, Secretary of The Institute of Cost and Works Accountants, and former editor of *The Accountant*, on having such a talented seventeen-year-old daughter in Jacqueline, whose outstanding success as soloist in the Elgar Cello Concerto in her first B.B.C. Symphony Concert at the Royal Festival Hall on Wednesday of last week has been universally acclaimed.

Jacqueline du Pré made her début at the Wigmore Hall, London, a year ago, receiving high praise from the music critics. Since then, she has played in London, at the Bath Music Festival, in the provinces, and in the Netherlands. She has also broadcast and played on television. In the next few months, she will be a soloist in Chester Cathedral, at a Promenade Concert in the Royal Albert Hall, at the Cheltenham Festival, and at the Edinburgh International Festival.

AID FOR DEVELOPMENT

DESPITE all the publicity which may suggest that the contrary is the case, of the total aid to developing countries amounting to $8,000 million in 1960, only 5 per cent came from the Sino-Soviet bloc. The balance was provided by the O.E.C.D. group of nations together with Japan, although the main supplier was the U.S.A. whose contribution represented about 45 per cent of the whole. It is noteworthy that France's contribution was more than double that of the United Kingdom.

Among other facts reported in a recent O.E.C.D. report[1] is that aid from the international agencies is expanding; it was 15 per cent of the total in 1960. Private aid was much increased in 1960 although the bulk of the funds continue to come from governmental sources. All the indications are that the supply of such assistance to the developing countries is increasing. If the United Kingdom is to play its full role in this important field, an improvement in the balance of payments position, if for no other reason, is imperative.

AIESEC

TO most members of ICAEW (The Institute of Chartered Accountants in England and Wales) and other kindred bodies (ICAS, ICAI and ACCA among them), AIESEC may sound like nothing more than 'always dry' but the mnemonic does in fact stand for the Association Internationales des Etudiants en Sciences Economiques et Commerciales. The aim of this body – which is independent and non-political – is to promote international understanding in economics, commerce and law and it aspires to do so by holding seminars and study tours and by arranging the exchange of commercial traineeships for students during long vacations.

A report of its activities during the past year and its plans for the immediate future are contained in the 1962–63 handbook of its London Joint Committee operating from the London School of Economics. It is expected that this summer 300 British students will go abroad under the traineeship scheme out of an international total of 3,000. As these visits are on a reciprocal basis, the more firms in this country willing to offer vacancies, the greater is the number of British students that may go abroad. One advantage which may accrue to companies participating is the possibility of recruiting suitable graduates for permanent positions from the ranks of ex-AIESEC students. Full particulars of the scheme may be obtained from the secretary of the London Joint Committee, Mr J. C. Hartley, at Houghton Street, London WC2.

LIFE ASSURANCE AND INCOME TAX

AT its fourth sessional meeting held in Edinburgh last week, the Faculty of Actuaries heard a paper by Mr W. Lundie, C.A., F.F.A., on 'The development and incidence of United Kingdom taxation in relation to mutual life assurance'. Introducing his subject, Mr Lundie explained that the object of his paper was to show that, however irrational and unsatisfactory the results of the present basis of assessment to income tax of mutual life assurance companies might be, the system had developed in a logical manner and could be explained rationally in terms of the general framework of United Kingdom income tax and the special nature of life assurance. Mr Lundie dealt with his subject in four sections. In section 1 he described the general framework of taxation in the United Kingdom. He considered those provisions relevant to life assurance companies and analysed the position which would arise in the absence of special legislation (as to which see in particular Part XX of the Income Tax Act, 1952) applicable to life assurance. This specialized legislation came in for closer examination in section 2, where Mr Lundie described how it had evolved. In section 3 the speaker described the present position, analysing the liability to tax of a mutual life assurance company under the present law and practice. To do so he employed an algebraic treatment of the possible bases of assessment, preferring this to an arithmetical treatment, as the former allowed him to be as general as possible. Finally, Mr Lundie discussed the consequences of the present position and suggested how future legislation might remove anomalies and simplify the system.

[1] *The Flow of Financial Resources to Countries in the Course of Economic Development in 1960.* O.E.C.D. H.M.S.O., 5s net

SHORTENING APPEAL COURT PROCEEDINGS

THE Court of Appeal is endeavouring to cheapen the proceedings before it by shortening the amount of time spent in open Court in the reading of documents which have already been available to the Court. By way of experiment, therefore, the Lords Justices have arranged to read, before each appeal comes on, the following documents:

(1) the pleadings or the originating summons (or their equivalent);
(2) the order of the Court below which is being appealed from;
(3) the notice of appeal and the respondent's notice (if any);
(4) the judgment of the judge appealed from, together with the reports of the cases cited by him in the judgment.

The experiment has the full support of the Lord Chancellor and the Court of Appeal has consulted representatives of the Bar and of The Law Society.

In making this announcement on March 22nd, Lord Evershed, the Master of the Rolls, emphasized the importance of the careful drafting of notices of appeal so that the Court could understand beforehand the points which were going to be raised.

SETTLEMENTS HELD TO BE IRREVOCABLE

LAST Tuesday the Court of Appeal, by a majority of two to one, allowed the appeals of the tax taxpayers from the decision of Mr Justice Plowman in *Jamieson v. C.I.R.* and *Wills v. C.I.R.* (40 A.T.C. 242). The dispute turned on the construction of section 399 of the Income Tax Act, 1952, which is part of the fasciculus of sections directed against settlements on the infant children of the settlor.

The section provides that a settlement shall not be deemed to be 'irrevocable' if, *inter alia*, the terms

of it provide for the determination of the settlement by the Act or on the default of any person.

In the settlements in question, the trustees had an overriding power to appoint capital to one or more beneficiaries. The Crown argued that since all the trust fund could be appointed to one adult beneficiary who could then require the fund to be transferred to him, therefore this power of appointment was a power to determine the settlement. Mr Justice Plowman held himself bound to accept this argument in view of the House of Lords' decision in *Kenmare v. C.I.R.* (36 A.T.C. 189). However, the Court of Appeal, according to *The Times* of March 28th, have distinguished that case.

The appeals related to years prior to 1958–59, the settlements being saved from section 399 for subsequent years by virtue of the amendment made to the second proviso by section 20 (5) of the Finance Act, 1958. This amendment has the result that a power to determine the settlement is still not fatal, provided that neither the settlor nor his wife can thereby benefit.

This is My Life . . .

by An Industrious Accountant

CHAPTER 117

OUR personnel director, Prinny, is becoming a source of concern to all our accounts staff; if he continues on his present course of misbehaviour I'll need to institute reforms which may prove painful to more than one.

Firstly, let it be clear, we like Prinny. As personnel directors go, he could be worse. Many's the pleasant afternoon tea we've shared while discussing our problems of job rotation or long-term training for potential chief executives or annual salary increases. Many's the steaming pot of morning coffee we've emptied, laden with cream and brown sugar, while we tried to settle personal disagreements over staff status or insubordination. Listening to Prinny chuckling over lunch, his pink jowls shaking, his waistcoat heaving . . . have I perhaps given the impression that Prinny likes the gastronomic good things of life? That he's a gourmet if not a gourmand? Well, that's just the trouble. He's too fat.

It started when he had a routine medical check-up shortly after Christmas; after one horrified look at the scales, his doctor gave him a lecture which really worried him. Lose two stone fast, or else. . . . For Prinny, it was time to act.

We thought he was joking at first, when the chocolate biscuits vanished from our various meetings to be replaced by plain, wholesome oatmeal wafers. He grinned wryly as he produced little vials of saccharine tablets which he dropped into his cups of tea; he became morose as he waved away potatoes or butter at lunch. He became quite irritable by mid-afternoon. He smoked feverishly throughout the day, each pang of hunger triggering off a reflex fumble for his cheroot case.

Then one morning we had a meeting about holiday schedules; we had been talking quite some time when I realized that our coffee hadn't arrived. 'You chaps are always thinking of your stomachs,' said Prinny with an irascibility, not to say rudeness, far removed from his normal geniality. I sympathized with him too much to make an issue of it, seeing which he relented and we went out to look for the trolley which by now had gone far on its way to our general office.

Being accustomed to having our own individual tea-trays which are prized perquisites with a chequered history of heartburnings and jealousies for years back, we hadn't actually seen the trolley in action for a long time. It was worth seeing. It had developed since its inception as a carrier of biscuits. A seething crowd of clamorous junior accountants surrounded it, stretching, grabbing, balancing precariously huge mounds of food. Some had massive hot-dogs bulging with salad and sausage; some had double-decker sandwiches and cakes. My cost accountant was declaiming something about enjoying his breakfast. There was ten minutes' solid eating on the plate beside him. Prinny gazed with bulging eye like a Spanish bull under the banderillas; he looked about to charge.

But I was proud of my staff. Granted that they were caught red-handed, that the thing had got out of hand; but they neither panicked nor looked defiant. They dispersed with quiet dignity and the food seemed to vanish imperceptibly; almost instantaneously they seemed to be either back at work or else sipping tea – legally and properly – biscuit in hand. The only blunderer was the cost accountant who tried to gobble too fast; suddenly he choked and left hurriedly with heaving shoulders.

Prinny said nothing as we left; but later he announced that he was considering abolishing the trolley and we nearly had a row. That the privilege was being abused was true; but the remedy was not abandonment but control, which must be based ultimately on good sense. This thorny question has bedevilled industrial relations for years; it was up to us to handle it intelligently. Unfortunately it got Prinny on the raw in his comparatively emaciated condition. He's been picking on us since for every trifle; the atmosphere in our section is becoming tense. It seems the existence of food should be unworthy of notice in the highly rarefied intellectual stratosphere of accountancy.

Prinny is due for another check-up next week. Unless his drastic dieting is relaxed, there's trouble ahead.

Finance and Commerce

Hartley Baird

THIS week's reprint is from the accounts of Hartley Baird Ltd for the year to April 30th, 1961. Hartley is a subsidiary of Camp Bird Ltd and in its turn has a subsidiary, H. J. Baldwin & Co Ltd, which again in turn has a subsidiary, Wireohms (Universal) Ltd. The net result of the chain of interests is decidedly complex and the complexity is not eased by the fact that Hartley's auditors 'are unable to say that the consolidated profit and loss account reflects a true and fair view of the group's loss for the year so far as concerns members of the company'.

It will be noted from the reprint that the Baldwin figures, made up to the same date, have been separated from the consolidation to 'give members a clear view of the results of all subsidiaries other than Baldwin and the composition of the Baldwin loss'.

The Baldwin directors, Hartley's report says, attribute the Baldwin loss to realization at prices under cost or book value of the balance of the stock of refrigerators and other appliances held at May 1st, 1960, writing down of the investment in certain subsidiaries, and the making of further provision against debts due from subsidiaries, the collection of which may be in doubt.

Stocks

One great source of uncertainty is the Wireohms position on which the Baldwin directors are taking legal advice. Wireohms had been a Baldwin associate company but was made a wholly-owned subsidiary on April 28th, 1961, to enable the directors to deal with the numerous inter-company problems existing, 'more especially the valuation of the stock-in-trade and work in progress'.

The statement on Wireohms continues:

'The auditors of Wireohms (Universal) Ltd have reported that the stock certificate signed by certain directors of that company and the stock sheets produced to them for the purposes of audit for several years prior to 30th April, 1960, were incorrect, as a result of which the directors of that company have written off £43,266 as at 30th April, 1960.

'In their opinion, the stock sheets and records that are available are such that no useful purpose would be served by further detailed checking, as even the most exhaustive tests could not enable them to verify the figure for stock-in-trade and work in progress either at 30th April, 1960 (£125,481), or 30th April, 1961 (£65,768), and in these circumstances the auditors have been obliged to accept the certificate of a director of that company who did not sign the incorrect stock certificates referred to above.'

Profitable Now

Mr Hartley, for his company, refers to the investigation into and reorganization of Baldwin, the principal subsidiary, instigated in the latter half of 1960. When finalizing the accounts for 1960, he says, an endeavour was made to make provision for such amendments and adjustments to Baldwin's accounts as were then ascertainable.

But subsequent and fuller investigation has revealed that the provisions were inadequate and the year to April 1961 'has been loaded with the balance of adjustments and write-offs necessary to clear up the situation'. The result is the Baldwin after-tax loss of £86,017 in the year to April 1961, the major portion of which has had to be included in the Hartley accounts for that year. The effect has been to wipe out the profits made available to Hartley from other subsidiaries. But for the Baldwin situation, the Hartley group, he says, would have earned a profit in the year under review.

What is done cannot be undone, but there is the assurance from Mr Hartley that in the current year all subsidiaries, including Baldwins, are operating profitably and indeed, he says, their internal accounts confirm this to be the case. Future accounts, he promises, will be presented at a much earlier date. The delay on this occasion was caused by the Baldwin problems.

Growth

TEN years or so ago, there emerged from the nationalization of cable and wireless communications a new investment trust company, Cable & Wireless (Holding). Sir Edward Wilshaw, now governor, insisted that compensation should be invested rather than distributed. This year, he looks back:

'When we commenced business as an investment trust in 1950,' he says, '£100 of our stock would have been bought for £96. Since that time, a further investment of £115, making a total of £211, would have sufficed to take up the full entitlement of shares issued by way of rights.

'Today, the shares so purchased plus those issued free by way of capitalization of reserves would be worth some £860. During the same period, gross income receivable would have risen from £6 to £27, the latter representing a return of £12 16s per cent on the total sum invested.'

Undoubtedly, the company became an investment trust at the right time. What investors would like to know is whether the time is still right. If one could only job forwards as well as backwards!

HARTLEY BAIRD LIMITED
AND ITS SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the year ended 30th April, 1961

	HARTLEY BAIRD GROUP		BALDWIN GROUP		TOTAL 30th April, 1961		30th April, 1960	
	£	£	£	£	£	£	£	£
Trading Profits before charging or crediting the items set out below:—								
Hartley Baird Limited	7,885		—		7,885			
Duratube & Wire Limited	78,230		3,250		81,480			
Hartley Installations Limited	10,025		—		10,025			
Tenaplas Limited	26,343		—		26,343			
H. J. Baldwin & Company Limited	—		19,954		19,954			
		122,483		23,204		145,687		172,995
Income from Investments:—								
Trade	—		750		750		3,250	
Others	1,250		649		1,899		510	
		1,250		1,399		2,649		3,760
		123,733		24,603		148,336		176,755
Charges:—								
Depreciation of Fixed Assets (*See Note 1 (d)*)	42,065		27,516		69,581		44,455	
Interest	21,888		14,066		35,954		18,315	
Directors' Emoluments (*See Note 7*)	13,017		1,083		14,100		16,063	
Auditors' Remuneration—holding company	1,500		—		1,500		1,500	
		78,470		42,665		121,135		80,333
		45,263		(18,062)		27,201		96,422
Special Charges:—								
Pre-acquisition Profits	2,223		—		2,223		—	
Provision against debts due from Subsidiary Companies	—		38,614		38,614		25,000	
Losses incurred on the realisation of Refrigerator and other appliance stocks held at 1st May, 1960	—		22,286		22,286		2,000	
Anticipated Stock loss of a Subsidiary Company	—		7,000		7,000		36,797	
		2,223		67,900		70,123		63,797
Consolidated Profits (Losses) before Taxation	*Profit*	43,040	*Loss*	(85,962)	*Loss*	(42,922)	*Profit*	32,625
Taxation based on profits for the year:—								
United Kingdom Income Tax	25,450		57		25,507		37,924	
Profits Tax	6,700		—		6,700		9,475	
East African Income Tax	—		—		—		92	
		32,150		57		32,207		47,491
Consolidated Profits (Losses) after Taxation	*Profit*	£10,890	*Loss*	(£86,019)	*Loss*	(75,129)	*Loss*	(14,866)
Less: Proportion of losses less profits of subsidiary companies attributable to minority interests						25,491		5,932
Consolidated Net Loss after Taxation attributable to Hartley Baird Limited						(49,638)		(8,934)
dealt with in the accounts of:—								
Hartley Baird Limited—Surplus					13,435		33,299	
Subsidiary Companies—Deficit					(63,073)		(42,233)	
Balances brought forward:—								
Hartley Baird Limited					7,982		(10,764)	
Subsidiary Companies (*See Note 8*)					(39,750)		17,103	
					(31,768)		6,339	
Deduct: Adjustments relating to former years (*See Note 9*)					17,263	(14,505)	add 2,862	9,201
						(64,143)		267
Loss on Sale of Shares in a Subsidiary Company						7,433	*Profit*	4,421
						(71,576)		4,688
Appropriation in the accounts of the holding company:—								
Preference Dividend less tax paid to 31st December, 1960						7,962		19,906
Balances carried forward to Consolidated Balance Sheet:—								
Hartley Baird Limited—Surplus					19,617		7,982	
Subsidiary Companies—Deficit					(99,155)		(23,200)	
						(£79,538)		(£15,218

The notes on page [388] form part of these Accounts.

HARTLEY BAIRD LIMITED AND ITS SUBSIDIARY COMPANIES

Consolidated Balance Sheet as at 30th April, 1961

	£	£	30th April, 1960 £	£
Issued Share Capital of Hartley Baird Limited (See Page 8)*		846,409		846,409
Capital Reserves:				
Share premium account	12,371		12,371	
Capital Reserve (See Note 5)	—		64,953	
Net excess arising on consolidation	—		13,116	
		12,371		90,440
		858,780		936,849
Profit and Loss Account—deficit		(79,538)		(15,218)
		779,242		921,631
Interest of minority shareholders in subsidiary companies		308,792		323,677
Future Income Tax		26,748		43,126
Loans:				
Mortgages secured on freehold properties	41,146		2,588	
Unsecured loans	71,000		61,000	
		112,146		63,588
Leasehold Redemption Account (See Note 1 (c))		46,429		48,809
Current Liabilities:				
Creditors and accrued charges	475,969		551,079	
Bank overdrafts (secured £288,761)	442,721		610,452	
Current taxation	103,336		104,438	
Amounts due under hire purchase agreements	8,358		6,105	
		1,030,384		1,272,074
		£2,303,741		£2,672,905

	£	£	30th April, 1960 £	£
Fixed Assets (See Note 1):				
Hartley Baird Limited	67,132		70,782	
Subsidiary Companies	785,474		597,954	
		852,606		668,736
Intangible Assets:				
Patents and trade marks	2,378		2,173	
Net premium on acquisition of shares in subsidiaries less amounts written off	12,953		—	
Development expenditure	15,000		—	
		30,331		2,173
Interest in a Subsidiary Company not consolidated (See Note 2):				
Shares, at cost, less provision	—		—	
Amount receivable	4,638		9,920	
		4,638		9,920
Interest in Associated Companies:				
Investments at cost or directors' valuation (less provisions £32,101)	69,517		73,848	
Amounts receivable (See Note 3)	353,901		582,850	
	423,418		656,698	
Less: Amounts payable (See Note 4)	26,040		50,030	
		397,378		606,668
Bills of Exchange		52,666		23,000
Current Assets:				
Stocks and work-in-progress as valued by the companies' officials	433,756		788,450	
Debtors and payments in advance	511,264		558,259	
Bank balances and cash in hand	21,102		15,699	
		966,122		1,362,408
		£2,303,741		£2,672,905

For and on behalf of the Board,

A. W. M. HARTLEY } *Directors.*
DUNCAN WRIGHT }

Not reproduced. – Editor

The notes on page [388] form part of these Accounts.

Auditors' Report

We have examined the books and accounts of Hartley Baird Limited for the year ended 30th April, 1961 and also the Group Accounts of the Company and its subsidiaries dealt with thereby with the audited accounts of those companies certain of which have been audited by other firms. In our opinion proper books of account have been kept and the Balance Sheet of the Company, which is in agreement therewith, together with the Group Accounts comply with the requirements of the Companies Act, 1948.

Subject to certain of the following remarks we have received all the information and explanations which we considered necessary:—

(i) As related in paragraph 4(c) of the Directors' Report the auditors of one subsidiary (an associated company in 1960) state that they have been unable to verify the figures for stock in trade and work in progress either at 30th April, 1960 (£125,481) or at 30th April, 1961 (£65,768).

(ii) Included in Investments in Associated Companies at a valuation of £48,000 are certain shares, previously held by a former subsidiary at a substantially lower figure, which were acquired by Hartley Baird Limited following upon an agreement for the sale of the subsidiary during the year. We have been unable, from such information as is presently available to us, to satisfy ourselves as to the value now attributed to these shares.

(iii) With regard to the amounts receivable from associated companies, we have reason to believe that a substantial part could not at present be settled by the principal debtors. The recovery of such debts is therefore, in our opinion, largely dependent upon the invocation of guarantees given by Camp Bird Limited which is the holding company of Hartley Baird Limited.

(iv) The freehold land and buildings of Hartley Baird Limited have been out of full operational use for several years and we can express no opinion as to the value of these items.

(v) The record of the subsidiary concerned does not in our opinion justify the value of £30,331, largely attributable to that company, which is carried forward in the Consolidated Balance Sheet under the heading of Intangible Assets.

Except in so far as they may be affected by the foregoing reservations in our opinion the Balance Sheet and Consolidated Balance Sheet give, respectively, a true and fair view of the state of affairs of the Company and of the Group at 30th April, 1961 and the Consolidated Profit and Loss Account gives a true and fair view of the profit dealt with in the accounts of Hartley Baird Limited for the year then ended; moreover, by reason of the inability of the Auditors of the subsidiary referred to in (i) above to verify the figures for stock in trade and work in progress either at the beginning or at the end of the accounting year, we are unable to say that the Consolidated Profit and Loss Account reflects a true and fair view of the Group's loss for the year so far as concerns members of the Company.

BROWN FLEMING & MURRAY,
Chartered Accountants.

LONDON, *6th March, 1962.*

HARTLEY BAIRD LIMITED

Notes on the Accounts

1. Fixed Assets

	At Cost or Valuation	Depreciation to date	Book Value 30.4.1961	1960
	£	£	£	£
(a) HOLDING COMPANY				
Freehold Land and Buildings	64,882	—	64,882	*64,882*
Plant and Machinery	5,854	5,254	600	*2,600*
Fixtures and Fittings	4,979	3,979	1,000	*2,550*
Motor Vehicles	869	219	650	*750*
	£76,584	£9,452	£67,132	*£70,782*
(These assets were not in full operational use at 30th April, 1961.)				
(b) SUBSIDIARY COMPANIES	£	£	£	£
Freehold Land and Buildings, Minerals and Kilns	580,295	29,355	550,940	*406,272*
Leasehold Land and Buildings	—	—	—	*5,207*
Plant, Machinery, Motor Vehicles, Furniture and Fittings, Tools and Equipment	553,530	325,411	228,119	*184,649*
	1,133,825	354,766	779,059	*596,128*
Tools and Dies at Valuation	6,415	—	6,415	*1,826*
	£1,140,240	£354,766	£785,474	*£597,954*

(c) Freehold Land and Buildings of a Subsidiary Company are subject to a leasehold interest expiring in October, 1980.
(d) Depreciation has not been provided against Freehold Property having a book value of £238,026 (*1960: £460,877*).

2. Subsidiary Company not Consolidated

The Accounts of a Canadian Subsidiary have not been consolidated as the Directors are of the opinion that their preparation would involve delay out of proportion to the value of such Accounts to the members of Hartley Baird Limited.
The loss of this Subsidiary for the year ended 31st March, 1961, attributable to the Holding Company is approximately £1,933, and this has been provided for in the Accounts. There are no profits or losses for prior years attributable to the Holding Company.

3. Amounts receivable from Associated Companies

	HOLDING COMPANY 1961	HOLDING COMPANY *1960*	GROUP (*including holding company*) 1961	GROUP (*including holding company*) *1960*
	£	£	£	£
Parent Company	18,405	*21,350*	18,310	*21,168*
Fellow Subsidiaries	262,914	*387,672*	310,673	*507,787*
Others	—	*293*	24,918	*53,895*
Totals	£281,319	*£409,315*	£353,901	*£582,850*
Included in the above totals are the following:—				
1. Amounts payable by 30th April, 1969:—	£	£	£	£
(a) Guaranteed by Camp Bird Limited	104,000	*117,000*	109,775	*122,775*
(b) Not guaranteed	—	—	5,775	*5,775*
2. Other amounts guaranteed by Camp Bird Limited	150,898	*270,899*	190,462	*299,670*

4. Amounts payable to Associated Companies

	£	£	£	£
Fellow Subsidiaries	1,070	—	6,045	*35,499*
Others	—	—	19,995	*14,531*
	£1,070	—	£26,040	*£50,030*

5. Capital Reserve—Consolidated Balance Sheet

	£	£
Balance at 30th April, 1960		64,951
Add: Surplus arising on revaluation of freehold dwelling houses		2,513
		67,464
Less: Loss on sale of shares in Subsidiary Companies	16,694	
Amounts written off by Subsidiary Companies:—		
Cost of Shares in Subsidiary Companies	11,671	
Share issue and other Expenses	1,418	
Mortgage	143	
Freehold Property	29	
Premium on acquisition of Shares in Subsidiaries	37,509	
		67,464
		NIL

6. Cumulative Preference Shares

The Cumulative Redeemable Preference Shares of Hartley Baird Limited may be redeemed at any time on or after 31st December, 1968, and in any case shall be redeemed by 31st December, 1978, at a premium of 1s. per share. The Company may also from time to time redeem all or any of such shares by purchase in the market at a price not exceeding 21s. per share.
The Cumulative Preference Dividend of H. J. Baldwin & Company Limited has been in arrear since 31st March, 1961.

7. Directors' Emoluments

	1961	*1960*
	£	£
Fees	708	*1,357*
Remuneration	8,009	*12,616*
Pension contributions	383	*2,090*
Compensation to a former director	5,000	—
	£14,100	*£16,063*

8. Balances Brought Forward

	£
Subsidiary Companies at 30th April, 1960—deficit	23,200
Add: Balances of Subsidiary Companies sold during the year and provision for sale of an investment	20,687
	43,887
Less: Adjustments in respect of minority interests	4,137
Deficit	£39,750

9. Adjustments Relating to Former Years

	1961	*1960*
	£	£
Amount recovered in respect of a former Subsidiary	11,859	—
Taxation	5,404	*2,862*
	£17,263	*£2,862*

10. Commitments for Capital Expenditure—Group

Commitments at 30th April, 1961, not provided for in these accounts amounted to £26,044 (*1960 £8,288*).

11. Guarantees

At 30th April, 1961, there were contingent liabilities of the Group in respect of Guarantees (including Holding Company £50,000 (*1960 £50,000*)) of £173,000 (*1960 £188,000*).

12. Rates of Exchange

Foreign currency items have been converted into sterling at the appropriate rate ruling on 30th April, 1961.

CITY NOTES

THE anticipated capital gains tax now seems to have outweighed most other factors in stock-market calculations. The visible sign is a rush of and for new issues. Invisible, but audible, is the rumble of conjecture on the form which the tax is to take.

The City is apt to develop a persecution mania under such conditions. The Sword of Damocles, whose thread the Chancellor is expected to cut on Budget Day, is variously forecast as razor sharp on one hand or as a blunt instrument on the other.

By the same token, opinion seems widely varied on the likely effect of a gains tax on the stock-market itself. Some maintain that such a tax will make no difference to speculative ardour. A taxed gain, it is argued, is better than no gain at all.

The other extreme is to suggest that short-term speculation will disappear entirely. The answer probably lies midway between the two extremes. It is difficult to convince speculators or short-term operators that there is justice or even logic in a tax on short-term gains. Even the Chairman of the Stock Exchange has insisted that the tax is entirely a political manoeuvre.

In its preoccupation with the tax the Stock Exchange, however, is tending to overlook the possibility that the Budget may contain measures of far greater economic consequence.

RATES AND PRICES

Closing prices, Wednesday, March 28th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%

Treasury Bills

Jan. 19	£5 6s 2·35d%	Feb. 23	£5 10s	7·47d%
Jan. 26	£5 4s 10·06d%	Mar. 2	£5 10s	11·26d%
Feb. 2	£5 4s 4·93d%	Mar. 9	£5 0s	5·89d%
Feb. 9	£5 8s 0·74d%	Mar. 16	£4 17s	7·57d%
Feb. 16	£5 9s 10·81d%	Mar. 23	£4 9s	0·47d%

Money Rates

Day to day	3⅞–4⅜%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4⅝–4 11/16%
Fine Trade Bills		3 months	4⅝–4 11/16%
3 months	5¾–6½%	4 months	4⅝–4 11/16%
4 months	5¾–6½%	6 months	4⅝–4¾%
6 months	6–7%		

Foreign Exchanges

New York	2·81⅛–¼	Frankfurt	11·24–¼
Montreal	2·95–⅛	Milan	1746¼–¾
Amsterdam	10·14¼–½	Oslo	20·04½–½
Brussels	140·04¼–¾	Paris	13·78¼–½
Copenhagen	19·36¼–½	Zürich	12·22–¼

Gilt-edged

Consols 4%	62 7/16	Funding 3% 59–69	82 15/16
Consols 2½%	40	Savings 3% 60–70	79 15/16
Conversion 5½% 1974	92¾	Savings 3% 65–75	71¼
Conversion 5% 1971	91 13/16	Savings 2½% 64–67	86 9/16xd
Conversion 3½% 1969	85⅝	Treasury 5½% 2008–12	87⅞
Conversion 3½%	54 9/16	Treasury 5% 86–89	83⅝
Exchequer 5½% 1966	99 27/32	Treasury 3½% 77–80	71⅜
Funding 5½% 82–84	91 15/16	Treasury 3½% 79–81	70⅛
Funding 4% 60–90	87¾xd	Treasury 2½%	39 9/16
Funding 3½% 99–04	60⅞	Victory 4%	95½
Funding 3% 66–68	85¼	War Loan 3½%	55 15/16

Reviews

Measurement and Control of Office Costs

by S. A. BIRN, R. M. CROSSAN, and R. W. EASTWOOD. (McGraw Hill Publishing Co Ltd, London. 58s.)

The objective of the method described in this book is to control office costs by setting standard times for routine office operations. In modern businesses, repetitive factory operations are scientifically measured and performance is controlled against standards. Manufacturing costs are subject to the closest scrutiny, but efforts to apply the same techniques in the control of office costs have run across many obvious difficulties. The system proposed by the authors of this book is a development of M.T.M. (methods-time measurement) which has been successfully employed in factory operations.

Experts in control of factory costs will know that the setting of standard times for each different operation is a tedious and lengthy task. However, the authors point out that many office operations are in fact less varied than factory work and can be reduced to a reasonable number of standard movements for which times can be fixed. These standards, which are listed in the appendix to this book, are called 'master clerical data' (M.C.D.) and can be applied to most routine office operations. As pointed out in the preface, M.C.D. can only be applied to those office tasks where work is done mainly with the body and mental operations are limited to searching, matching, copying, etc. Creative thinking cannot be measured and probably never will be.

The authors have had practical experience of the application of M.C.D. in the control of office tasks such as receiving and checking orders, filing, invoicing, punched-card operations, etc. Detailed descriptions of working methods are given, accom-

panied by some sound advice on the psychological approach to this kind of work. It is difficult to say just how widely M.C.D. can be employed, but certainly this book should be of considerable interest to anybody in a methods department of a fairly large organization working on the control of office costs.

The Organization from Within

by CYRIL SOFER. (Tavistock Publications Ltd, London. 25*s*.)

Mr Sofer has written a highly individual and personal account of three assignments in the field of what is often termed 'industrial psychology' and has made a very readable account of his activities. However, one cannot help reflecting that, large as is the undoubted scope for work of this nature, many of his clients ought to be able to settle their own affairs more expeditiously and of their own volition given a little more personal charity and a little less self-interest. Unhappily, however, conditions such as the author describes exist only too often.

It is equally sad to read of the interview with a company's auditor who had obviously never experienced the tremendous assistance which vocational guidance can give. Mr Sofer records: 'The auditor himself was puzzled and sceptical about my role and the value of any contribution the [Tavistock] Institute [of Human Relations] might make.' Thereafter no further mention of the auditor occurs.

There is no doubt that the profession is often the loser on occasions when an auditor makes no attempt to see the value of the contribution someone less 'traditional' in outlook than himself can make in a client's business affairs. Certainly, most men of merit in professional life have in fact developed their own experience of psychology in trying to deal with staff promotion problems in conjunction with their clients – particularly at board level; and they will be sensibly sympathetic to the systematic work recorded in these case studies, and the analysis of the theory underlying that practice, which constitutes the second portion of this interesting book.

Accountants who read this record of a new professional service to industry cannot fail to widen their understanding of a difficult modern problem, especially as portrayed in the first case study entitled appropriately 'An industrial setting'.

Playing with Infinity

by Professor RÓZSA PÉTER. (G. Bell & Sons Ltd, London. 25*s* net.)

Many continental mathematicians have a gift for writing entertainingly about their subject and Professor Péter is no exception. For more than 250 pages, she conjures with numbers, symbols and shapes so adeptly that the reader is beguiled into forgetting that the book, in fact, is all about arithmetic, algebra and geometry. This is the author's intention because she believes that art and science are closely linked and that there is no reason why the principles of mathematics should not be presented in an attractive form. Professor Péter certainly succeeds in doing this and if her arguments become a little difficult to follow when she warms to her work (the titles she gives to the three parts of her book – The Sorcerer's Apprentice; The Creative Role of Form; and The Self-Critique of Pure Reason – are perhaps indicative of the progression towards the higher flights of argument), this will not deter the serious reader.

Credit must also be given to Dr Z. P. Dienes for a felicitous translation from the text of the original Hungarian.

Marketing for Profit

by DOUGLAS P. GOULD. (Reinhold Publishing Corporation, New York; Chapman & Hall Ltd, London. 44*s*.)

Basis for Marketing Decision

by LOUIS CHESKIN. (Business Publications Ltd, London. 35*s*.)

Both of these books are by American authors; both concern techniques of selling. There the resemblance ends.

Mr Gould's book will certainly appeal more to accountants – especially those who appreciate the assistance of their economics training and continue to make use of graphs for practical and helpful purposes. A great deal of this book consists of examples of cases which will be readily appreciated, often involving comparisons of marginal profitability from department to department or between a number of selling lines. Throughout, the emphasis is on control of selling in a planned, scientific manner, although the feeding of ideas upwards is not overlooked.

Mr Cheskin, on the other hand, is concerned almost exclusively with the technique of what is known as 'motivation', and research into the personal likes and dislikes, prejudices and weaknesses of the buying public. To quote Mr Cheskin: 'Motivation research is the type of research that seeks to learn what motivates individuals in making choices. Motivation researchers employ techniques designed to reach the unconscious or subconscious mind because preference generally is determined by factors of which the individual is not aware. . . . The best ads. are motivating ads. not ads. that are consciously recalled. An ad. does not have to be remembered to be motivating.'

Having set forth and amplified the technique in the first half of his book, Mr Cheskin uses the second half for a series of studies, some actual, some hypothetical, introducing in statistical-tabular form the results of applying motivation research to each problem.

There is no doubt that there is a 'fringe area' between what top management needs in order to

understand and plan its activities in the field of sales, from its consultants, its salesmen, its factory managers and its accounting staff. The provision of information suitable to studies such as are dealt with especially in Mr Gould's book, must largely be the province of management accounting. In many cases – and especially to the smaller business unit – it may well fall to the professional accountant to provide such services; and to appreciate what is involved by first reading Mr Gould's book cannot but assist any aspiring management accountant on his way.

Certainly to read Mr Cheskin's book must open one's eyes and broaden one's ideas, and for accountants this should be sufficient justification.

National Income and Expenditure

by Richard and Giovanna Stone. (Bowes & Bowes. London. 15*s*.)

This book replaces a further revision of the well-known pamphlet on the same subject by Meade and Stone which served so many generations of post-war students of the subject. It is more ambitious in its scope than the earlier editions and discusses the problems of deflating national income series over time, as well as the problems of international comparisons, with special reference to British and American data. It is, however, very clearly written and remains by far the best introduction to the subject for the serious student.

Investment and Production

by Vernon L. Smith. (Harvard University Press. London: Oxford University Press. 60*s* net.)

This new study in the excellent series of Harvard Economic Studies originated in a doctoral thesis on the economic basis of the replacement of capital equipment within industry. Inevitably the standard of exposition is at a level suitable for fellow economists, who must be well-acquainted with the modern mathematical approach as well as diagrammatic exposition. It is basically a theoretical study of the theory of the firm. It is exceptionally well written for this type of work and the technician, who is normally well-equipped with an understanding of mathematics, will find in this book a stimulating approach to the evaluation of investment policy in the business undertaking.

Indian Tax Structure and Economic Development

by G. S. Sahota. (Asia Publishing House, London. 21*s* net.)

The importance of fiscal and budgetary policy for purposes other than revenue raising are not always appreciated, even a quarter of a century after Keynes' *General Theory* appeared. This little book which is one of a series of studies undertaken by the Institute of Economic Growth in Delhi, discusses the basic facts of Indian taxation. It shows how tax policy has been used to stimulate investment and to reduce consumption, and discusses the value of budget surpluses as a source of investible funds in the developing economy. For the reader interested in India's economic problems it will have a special appeal.

The Law of Stamp Duties

Third edition by J. G. MONROE, B.A., Barrister-at-law. (Sweet & Maxwell Ltd. London.)

The principal change in this edition is that the work now includes the complete text of the Stamp Act, 1891, and amending Acts. The author has also extended the treatment of the section providing for exemption from conveyance duty of conveyances between closely associated companies, and there is a separate chapter on unit trusts.

Now that the complete text of the Acts is available in the book, one wonders why the author has attempted to paraphrase section 55 of the Finance Act, 1927, dealing with reliefs in relation to company reconstruction. The section, which is tabulated, can just be understood if read carefully; whereas the author's paraphrase chiefly consisting of a 240-word sentence, untabulated, imposed a much greater strain on at least one reader than does the section itself. Although it might appear to be special pleading, it is suggested that the publishers in future editions might show the *Annotated Tax Cases* reference in all cases where a reported decision is noted and has been included in that series of reports. Some thirty-one of the cases cited in this edition of *Monroe* fail to show the A.T.C. reference, although in fact that is frequently the only report which includes the stated case.

MacGillivray on Insurance Law

Fifth edition by DENIS BROWNE, M.A., Barrister-at-law. (Sweet & Maxwell Ltd, London. 2 vols. £12 12*s* net.)

The part played by insurance in modern economic and financial life has increased enormously, particularly since the last war. The growing wealth and standards of living of the population have brought with them an enormous demand for insurance of property and life and limb, not to mention the special fillips given by the tax advantages to be enjoyed by means of life policies, whether by ordinary life insurance relief from income tax, or through retirement benefit schemes, or through policies designed to minimize the effects of estate duty. Even the growing concern with maintenance relief for Schedule A has increased the tendency to take out insurances on property.

As may be imagined, however, the problems to which insurance law can give rise are extremely complex. Moreover, the sums involved are now so

great that the cost of obtaining good and disinterested advice is money well spent. It would be difficult to imagine any problem on insurance (other than marine insurance) with which *MacGillivray* does not deal. One says *MacGillivray* because that is the title which the work will no doubt continue to bear, notwithstanding that since the fourth edition appeared the original author has died and this new edition is the responsibility of Professor Denis Browne who for so many years collaborated with Mr MacGillivray in procuring for the work the prestige which it so deservedly enjoys.

Indeed, the fifth edition is an even greater achievement than its predecessors. Professor Browne has very properly excised the long section on general company law and has used the space as well as that made free by some expert pruning, for the new material which the passage of time, since the fourth edition, has thrown up. The estate duty treatment of life policies was materially changed in 1954 and Professor Browne deals with this change in the course of a masterly disquisition on the subject of estate duty. In books on special branches of the law, the treatment of the relevant stamp duties is often fragmentary and therefore misleading; but Professor Browne devotes no less than twenty-three pages to this one topic, all of which are very much to the point and indicate the care with which he has assembled and sifted his material.

The work is for the first time split into two handy-sized volumes but a full and comprehensive index is given at the end of each volume. The whole production is of a very high standard.

Accountancy

by K. S. CARMICHAEL. (*The Sunday Times* Career Books. 3*s* 6*d* net.)

This guide to accountancy as a career tells of the progress of an imaginary articled clerk until he is fully established as a junior partner in a practising firm. The author (the omission of whose designatory letters will not conceal his identity to many) contrives to make tactful comparisons between the syllabuses of the leading professional bodies and conveys a vivid impression of the kind of life the young man who wishes to become a qualified accountant may reasonably expect. It is a pity that the titles of the Scottish Institute and its magazine are incorrectly given on some pages but that presumably will be put right when the book is reprinted.

Topolski's Legal London

Illustrations by FELIKS TOPOLSKI; text by FRANCIS COWPER; foreword by Rt Hon. The Lord BIRKETT, P.C. (Published for *The Lawyer* by Stevens & Sons Ltd, London. 3½ gns. net.)

Ten inches deep and fifteen inches wide, this outstanding example of the art of book production would make an excellent present to any legally-minded person. There are fifteen illustrations by Feliks Topolski of various aspects of legal life in London, each accompanied by a text written by Francis Cowper. However, neither picture nor text is subordinate to the other.

The work of Feliks Topolski is well known; the portraits are of actual legal individuals, although in most instances unidentified. Frances Cowper is a law reporter and a legal historian; his text is eminently readable, permeated with a love of his subject but accompanied by a dry humour and some gentle thrusts. In a mocking review of the architecture of the Central Criminal Court he mentions a particularly incongrous allegorical painting of 'naked nymphs prancing among flowery garlands, perhaps young persons in need of care and protection'. Describing a set of barristers' chambers he observes that the professional fate of its occupants depends on their clerk, but he is too discreet to say whether he thinks this a good or a bad thing. Last, but not least, there is the foreword in Lord Birkett's inimitable limpid prose.

The printing, paper, binding – everything, in fact, comprising this book contributes to a publication *par excellence*.

SHORTER NOTICE

THE RATING AND VALUATION ACT, 1961, with a guide and index, by Lord Meston, Barrister-at-law. (Property Owners' Protection Association Ltd, London. 7*s* 6*d* net.) This 40-page paper-backed booklet, expounds the provisions of the Act in illuminating fashion, and embodies a most extensive and useful index.

RECENT PUBLICATIONS

AN EXECUTOR'S ACCOUNTS AND THE LAW RELATING THERETO, thirteenth edition, by E. Miles Taylor, F.C.A., S. C. Hough, A.I.B., and O. GRIFFITHS, M.A., LL.B. xx+527 pp. 5½×8½. 30*s* net. Textbooks Ltd, Harpenden, Herts.

SECOND (CUMULATIVE) SUPPLEMENT TO DYMOND'S DEATH DUTIES, thirteenth edition, by Reginald K. Johns, LL.B. xv+105 pp. 6×9½ card covers. 17*s* 6*d* net. The Solicitors' Law Stationery Society Ltd, London.

TRADE UNIONS IN A FREE SOCIETY, by B. C. Roberts. 206 pp. 8½×6. 30*s* net. Hutchinson & Co, London.

BOOK-KEEPING AND ACCOUNTANCY FOR SOLICITORS, by P. Harrison and A. G. Hillman, F.A.C.C.A. Second edition. 279+14 pp. 8½×5½. 50*s* net. Butterworth & Co (Publishers) Ltd, London.

DESIGN OF REGIONAL ACCOUNTS, edited by Werner Hochwald. xx+281 pp. 9×6. 48*s* net. Johns Hopkins Press, Baltimore; Oxford University Press, London.

THE DIRECTORY OF OPPORTUNITIES FOR SCHOOL LEAVERS, 1962, with a preface by Sir William Haley, K.C.M.G. 332 pp. 5½×8½. 8*s* 6*d* net; free to Schools and Careers Masters. Cornmarket Press Ltd, London.

THE GROWTH OF PUBLIC EXPENDITURE IN THE UNITED KINGDOM, by Alan T. Peacock and Jack Wiseman assisted by Jindrich Veverka. A study by the National Bureau of Economic Research. 9×6. xxxi+213 pp. 30*s* net. Oxford University Press, London.

AUDITING AUTOMATIC DATA PROCESSING, a survey of papers on the subject, by A. B. Frielink. 70 pp. Card Covers. 5×7½ 15*s*. D. Van Nostrand Co Ltd, 358 Kensington High Street, London W14.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Stock Valuation Reconsidered

SIR, – After reading Mr Staubus's article 'Stock valuation reconsidered' (March 10th issue) I was moved to breathe a sigh of relief that it wasn't my misfortune to be taught accountancy at the University of California, because it surely isn't necessary to introduce so much complexity into such a basically simple matter.

The Institute of Chartered Accountants knows, as surely as does any other sensible body, that manufacturing overhead charges are just as much a part of cost as raw materials and labour, and that *purely from an academic point of view* they should be included in stock valuations at the end of a financial period. What they also know, fortunately, is that academic theory must give way to economic necessity and/or business prudence.

Since there are many items in accountancy incapable of accurate measurement – depreciation is only one example – accountancy can never be a science. I do wish the theorists would learn this basic fact.

Yours faithfully,

Heanor, Derbyshire. ROBERT LOWE.

Acquisition of Company: Determining Cost of Shares

SIR, – You began your interesting comments on the report and accounts of Turner & Newall Ltd ('Finance and Commerce,' March 10th issue) with the observation that 'reprint limitations do not permit full justice being done to the accounts'. One of the interesting features which you did omit was the fact that the auditors, Messrs Deloitte, Plender, Griffiths & Co, qualified their report as 'subject to the method of determining the cost of shares acquired in British Industrial Plastics Ltd as explained in Note 1 on page 14' and as reported by you.

The qualifying words 'subject to' indicate that the auditors are not satisfied with the method but my Aunt Fanny, who holds a few shares in the company, says that she remains in the dark as to what method would have satisfied them. Readers may remember that in the accounts of Leyland Motors Ltd at September 30th, 1952, a somewhat similar point was dealt with by the directors in a note reading as follows:

> 'The whole of the share capital of Albion Motors Ltd was acquired by the issue of 133,866 Preference Shares and 477,920 Ordinary Shares, all of £1 each, of Leyland Motors Ltd, and the investment is entered in the balance sheet of Leyland Motors Ltd at the nominal amount of the shares so issued. The company sought the advice of Counsel as to whether, in view of a legal decision, the excess of the value of the shares so issued over the nominal amount constitutes a premium within the meaning of section 56 of the Companies Act, 1948, but the two counsel consulted were unable to agree. Such premium (if any), if based on the book value of the net assets of Albion Motors Ltd, at the date of acquisition, would amount to £2,108,829.'

No doubt the Jenkins Committee will have something helpful to say on this point; meantime our course will vary between port and starboard depending upon the choice of counsel invited to act as pilot through these broad and shifting waters.

Yours faithfully,

AUNT FANNY'S NEPHEW.

Football Club Transfers

SIR, – Can you or one of your readers tell me how football club transactions are dealt with?

Recently Johnny Byrne was transferred from Crystal Palace Football Club to West Ham Football Club at a fee of £60,000, plus the transfer of Ron Brett, a West Ham player, to Crystal Palace.

In West Ham F.C.'s accounts would the payment be debited to a 'Fixed asset' account or to a 'Stock of footballers' account, with book-keeping entries to record the transfer of Ron Brett? If the £60,000 goes to 'fixed assets' would the player be 'depreciated over his normal working life' and would investment and other capital allowances be claimed? Also, is it possible for there to be a balancing charge or allowance on the transfer of Ron Brett?

You will appreciate that I am only interested in a humorous sort of way.

Yours faithfully,

Croydon, Surrey. J. T. H. WILLIAMSON.

[The secretary of West Ham United Football Club comments: Players are not considered as fixed assets as obviously from time to time transfers are effected between clubs, transfer money is dealt with by a separate 'Transfer account'. In particular cases, money which is paid on an instalment basis can of course be paid over a period of time, in which case the transfer money may be included in accounts for different years.]

Every Little Helps

SIR, – Who says the Civil Service are lacking a sense of humour?

After serving on a Ministry Panel I was offered a small fee of £8 8*s* for attending meetings. I suggested that I wished to waive my claim. The reply I received from the Ministry concerned was as follows:

> 'We would certainly not press you to claim for expenses, and I can assure you that your waiver of these will be reflected in the Budget which the Chancellor will be introducing shortly.'

Yours faithfully,

F.C.A. (London).

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Godden *v.* A. Wilson's Stores (Holdings) Limited

In the Court of Appeal – February 27th, 1962

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice UPJOHN and Lord Justice DIPLOCK)

Income tax – Cessation of trade – Termination of service agreement – Payment of sum therefor – Whether that sum deductible by company – Income Tax Act, 1952, sections 122 (Schedule D, Case I), 137 (a).

Down to March 31st, 1958, the company carried on business as a rubber and coco-nut planter in Malaya, and its profit for that period was assessable under Case I of Schedule D. On March 15th, 1958, an agreement was made for the sale of the company's estates, and the sale was completed on March 31st, 1958, and on that day the company's business was discontinued.

The manager of the company's estates in Malaya had served the company in that capacity since 1946, and the terms of his service during the material period were stated in a letter dated August 19th, 1957. The agreement recorded in the letter was to be for six months certain and thereafter subject to six months' notice on either side, and notice was to be given on March 31st or September 30th in any year. On February 25th, 1958, the board directed that the manager should be given formal notice to terminate his employment as from March 31st, 1958, and that he was to be paid £1,900 representing the salary for the six months to September 30th, 1958, and the estimated commission he would have earned in that period. This payment was to cover any claims the manager might have against the company. These arrangements were accepted by the manager in a letter dated March 7th, 1958. The £1,900 was paid to the manager on March 28th, 1958, and was charged in the company's profit and loss account for the nine months ending March 31st, 1958.

It was contended on behalf of the appellant that the £1,900 was not deductible in computing the company's profit for that period, in that the sum was not expended for the purposes of the company's trade, for the trade was about to end. It was contended on behalf of the respondent that the £1,900 was deductible, because it was a payment that had to be made in order that the company might be released from its liabilities under the letter of August 19th, 1957. The Special Commissioners decided in favour of the respondent.

Held (affirming the decision of Mr Justice Plowman): the £1,900 was not paid for the purpose of enabling the respondent to carry on its business and earn profits; and that the sum was not deductible in computing the profit of the period in question.

Griffiths *v.* J. P. Harrison (Watford) Ltd

In the House of Lords – March 15th, 1962

(Before Viscount SIMONDS, Lord REID, Lord DENNING, Lord MORRIS OF BORTH-Y-GEST and Lord GUEST)

Income tax – Dividend-stripping – Business of merchant till 1953–54 – Loss to carry forward – Purchase of shares in company – Dividend received from subsidiary – Loss on sale of shares – Whether trade of share-dealing carried on – Income Tax Act, 1952, section 341 – Finance Act, 1953, section 15.

The company carried on business as a merchant till a date in 1953–54, and that business then ceased. In 1952–53 the company incurred a loss of £13,585, which was available to be carried forward under section 341 of the Income Tax Act, 1952. On October 8th, 1953, an additional object was inserted in the company's objects clause, namely, to carry on the business of share-dealing. On December 4th, 1953, the company bought all the issued shares in another company for £16,900 and borrowed £15,900 for the purpose. The shares were bought on a blank transfer, which was not registered, and no stamp duty was paid. The subsidiary company had carried on business as a cloth merchant up to November 30th, 1953, when that business ceased, and the subsidiary then had a considerable sum available for distribution as dividends. On January 26th, 1954, the subsidiary declared a net dividend of £15,901 19*s* 3*d*, and this sum was received by the company. On the same day the £15,900 which had been borrowed, was repaid, and the shares in the subsidiary were sold for their nominal value, namely, £1,000. This was the only transaction in shares by the company in 1953–54, but in the following year it was admittedly carrying on a trade of share-dealing.

The company claimed to be entitled to set the loss of £15,900 against the net dividend of £15,901 19*s* 3*d* it received on January 26th, 1954. The Special Commissioners decided that the company was not carrying on a trade of share-dealing in 1953–54, and they restricted the amount of the loss claim to £3,314, which was agreed as being the correct figure in relation to the company's loss as a merchant.

Held (affirming the decision of the Court of Appeal) (Lord Reid and Lord Denning dissenting): the company was carrying on a trade in 1953–54, and the loss of £15,900 could be set against the dividend received in that year.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on February 22nd, 1962.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Peter James Neal Biggs, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (*a*) he failed within a reasonable time or at all to answer or take any action in response to requests in relation to the accounts of three limited companies of which he was auditor made to him by the accountants for the owners of those companies; (*b*) he failed to reply to or take any action in response to three letters addressed to him by an Under-Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Peter James Neal Biggs, F.C.A., had been proved and the Committee ordered that Peter James Neal Biggs, F.C.A., of 'Falconia', Landkey Road, Barnstaple, Devon, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Peter Henry Hodgson, A.C.A., was at the General Session held in the Old Bailey on June 20th, 1961, convicted on indictment for that he made an indecent assault, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Peter Henry Hodgson, A.C.A., had been proved and the Committee ordered that Peter Henry Hodgson, A.C.A., of 106 The Avenue, Ealing, London W13, be suspended from membership of the Institute for a period of two years.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Reginald William Allott, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he signed the Accountant's Certificates required by Section 30 of the Solicitors Act, 1957, relating to the practice of two solicitors in practice together for two accounting periods which he knew or which he ought to have known were not correct, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Reginald William Allott, F.C.A., had been proved and the Committee ordered that Reginald William Allott, F.C.A., of 1 South Terrace, Moorgate Street, Rotherham, Yorkshire, be reprimanded.

New Legislation

The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective.

STATUTES
(5 & 6 Eliz. 2)

Chapter 20: House of Commons Disqualification Act, 1957

[*Reprinted pursuant to section 5 of the Act with amendments to the First and Third Schedules in force on January 1st, 1962.*]

An Act to make provision for disqualifying the holders of specified offices for membership of the House of Commons, and to repeal the enactments providing for the disqualification of the holders of offices or places of profit under the Crown and other offices, of persons having pensions from the Crown and of persons contracting with the Crown for or on account of the public service, and certain enactments disqualifying members of that House for holding other offices; to make corresponding provision in respect of the Senate and House of Commons of Northern Ireland; and for purposes connected with the matters aforesaid.

Price 2s 6d net. *April 17th, 1957.*

(10 & 11 Eliz. 2)

Chapter 7: Consolidated Fund Act, 1962

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on the thirty-first day of March, one thousand nine hundred and sixty-two.

Price 3d net. *February 21st, 1962.*

STATUTORY INSTRUMENTS

The Rate-accounts Regulations, 1962 (S.I. 1962 No. 8)

These Regulations (which replace existing ones) prescribe the records which are to be kept in respect of rates by the councils of county boroughs, metropolitan boroughs and county districts and the Council of the Isles of Scilly.

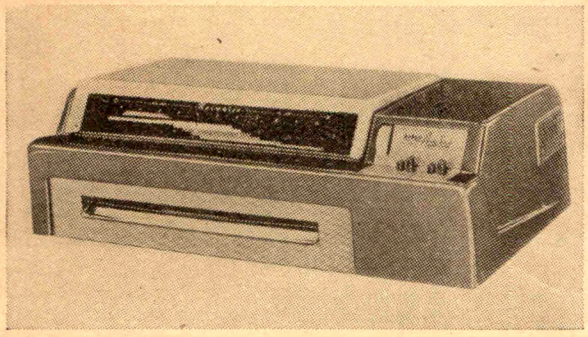
Price 4d net. *April 1st, 1962.*

New Office

Range of Office Photocopiers

AN American company, Apeco, already known by name and reputation to a good many people in Britain, has recently set up a subsidiary in London for the sale of a range of photocopying machines and a binding system. The present series includes photocopiers for single sheet and book work. Other equipment will become available later on.

Lowest priced photocopier is the rotary *Century* at £49, which will eventually be obtainable from selected dealers as well as the manufacturers. This is a general purpose model for copying any standard type of office document. Most sophisticated is the *Uni-Matic* which copies in a single step. The original only is inserted into the machine and a copy is delivered automatically. *Uni-Matic* has push-button controls and a colour-code dial which acts as a guide to the operator in setting correct exposure time according to the tone value of the original. Price of this machine is £152.



Apeco Uni-Matic Copymaker

Other models include a portable exposure unit for book copying and a rotary exposure-development unit with a 14-inch feed. These sell at £35 and £89 respectively.

The *ComBind*, a hand-operated unit, incorporates a multi-hole punch and a device for inserting plastic binding into items like catalogues and reports. Small enough to go easily on a desk top, it costs £89.

Apeco Ltd, Wingate House, 93 Shaftesbury Avenue, London W1.

Translucent Wages Bags

NOTES and coins placed in the new *Checkmaster* wages bags can be counted without breaking the seal. The bags are completely translucent on one side and are made with a shaped flap which allows the corners of notes to protrude for counting purposes.

Made of white kraft paper and *Glassine*, the bags, in 4¼ in. by 3¾ in. size, are large enough for £5 notes. The latex-gummed flaps are immediately and firmly sealed by finger pressure.

Supplies are available through local printers and stationers, but the makers will send samples.

John Dickinson & Co Ltd, Packing Supplies Dept, Apsley Mills, Hemel Hempstead, Herts.

Time-saving Tax Forms

A MINIMUM amount of work is required in making out the necessary final returns for the Inland Revenue and Ministry of Pensions using a new form set produced by Moore's Modern Methods. The forms, which are printed on No Carbon Required paper, are equally suitable for use in mechanized or handwritten wages systems.

A three-part set of forms is made up as follows: P.9.(S) and P.11.(S) for Inland Revenue (top copy); the same forms for the Ministry of Pensions (second copy); Employee's Certificate (P.60) (third copy). These are used in conjunction with the Annual Declaration and Summary (P.35).

One set of forms is headed up for each employee and is aligned with the Form P.35. Entries are then made of the year's totals for pay, tax deductions, graduated pension contributions and superannuation – if any. By using an extra P.35 the employer can retain a copy for himself.

Moore's Modern Methods Ltd, 19–21 Farringdon Street, London EC4.

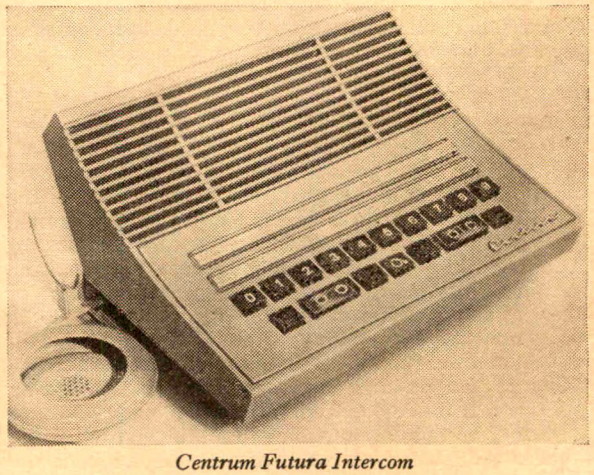
Dictation through Intercom

AUTOMATIC dictation facilities are now available to users of the *Centrum Futura* intercom system. This permits the same instrument to be used for dictation as for ordinary speech and can be used with a variety of dictating machines.

The *Futura* system operates through an automatic exchange, but dispenses with conventional telephones. These are replaced by small loudspeaking instruments which allow two-way speech without manual switching. Connections are made by push-button.

To connect with a dictating machine and to control all its functions, the executive uses a special set of buttons. Since he need press these only when actually switching from one function to another, he is free to move about the room while he speaks. Voice reproduction, even at thirty feet or so away from the instrument, is said to be of very high quality.

If a personal or paging call comes through during dictation, the instrument switches itself over to normal operation. On completion of the call, it automatically



Centrum Futura Intercom

Equipment

reverts to dictation, playing back the last few words as a reminder. Similarly, the executive can interrupt his own dictation by making an outgoing call.

Centrum Electronics, Terminal House, Grosvenor Gardens, London SW1.

High-speed Coin Handling

BRITISH silver coins are sorted, counted and batched by *M.1000-APTEC*, a machine linked to an electronic unit. Both parts are small enough to stand side by side on a table.

The machine's hopper is loaded with mixed coins. The counter, by illuminated indicator dots on its dials, indicates the running total (in sterling) of each type of coin and the total value of all. The machine stops itself when any one batch reaches a predetermined total. Results could, if desired, be printed out on a typewriter or punched into cards.

M.1000-APTEC is the result of collaboration between A.P.T. Electronic Industries of Byfleet and I.C.C. Ltd International Coin Counting Machine Co Ltd, 248–250 Tottenham Court Road, London W1.

Low Priced Add-listers

IMPROVED production techniques led to the reduction of prices on six existing *Addo* add-listing machines earlier this year. Now the company has announced two new models, the electric *148E* at only £62 and its hand-operated companion, *Model 148*, at £42. Each has a totalling capacity of one penny less than £1 million.

Features common to both models include: simplified keyboard; keys for whole numbers, non-add, repeat and correction; zero cut-out; and sub-total. A key interlock device on the electric version prevents double keying and therefore permits fast, accurate operation by touch.

Both add-listers could easily and cheaply be converted to decimal working.

Addo Ltd, 47–51 Worship Street, London EC2.

Portable Card Punch

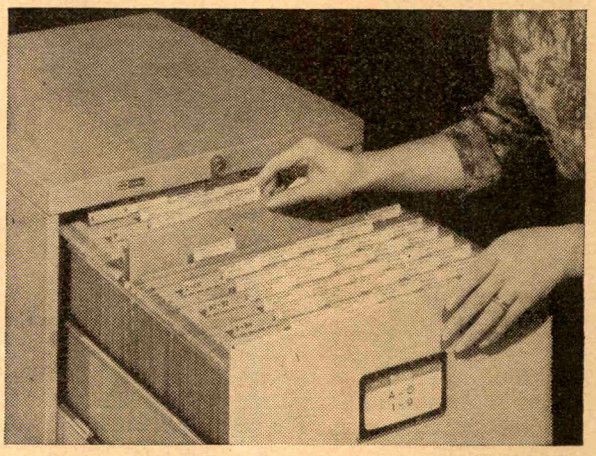
DATA can be punched direct into *IBM* eighty-column cards by salesmen, meter readers, inventory recorders or on the factory floor – to quote a few examples – by the *Port-A-Punch* just introduced to this country by IBM.

This pocket-size device comprises a punch board, the size of an IBM card, covered by a plastic template with guide holes over the punching position in the forty even-numbered columns. A special type of card, pre-scored in these columns, is put under the template and a pencil-shaped punching instrument is used to press out the pre-scored holes. An auxiliary card holder for attachment to the back of the punch holds up to fifty cards. Price £3 4s.

IBM United Kingdom Ltd, 101 Wigmore Street, London W1.

Flexibly Indexed File System

A HARD-WEARING and versatile indexing system is the special feature of *Flexatab* filing, which was introduced to the public for the first time at the recent Leeds B.E.E. Employing removable suspended folders for use in drawers, the system provides for siting index



Roneo Flexatab Filing

tabs in up to sixteen positions on foolscap folders, thirteen on quarto.

The tabs are made of robust transparent plastic and cannot be displaced by an accidental knock, the makers say. Title inserts, which are available in white and four different colours, leave space for three lines of typing.

There are two types of folder: one which is scored for expansion, the other with a one-inch gusset to allow for bulky contents. Each is slitted so that a metal fastener can be put in to hold papers in place.

Roneo Ltd, 17 Southampton Row, London WC1.

Fire Protection for Files

AN ingenious and relatively inexpensive method of protecting filing cabinets against fire is afforded by the *Duo-File* cabinet. This is an insulated cupboard which accommodates any standard four-drawer filing cabinet and also has provision for shelves, so that it can be used alone.

The *Duo-File* has a double steel skin packed with fire-resistant material and is claimed to withstand temperatures up to 2500°F. The door surrounds (it can be supplied with one or two doors) have double right-angle returns, thus giving a completely enclosed interior. The base is reinforced by heavy steel framing to give extra rigidity.

This cabinet has a number of practical advantages. Since any filing cabinet can be placed in it, the contents can be changed at any time, simply by removing the filing cabinet and no drawers need be emptied. Heavy interior locking bars afford a safeguard against tampering. Its weight of 3 cwt. is much less than that of most fire-protection equipment – an important point in many office buildings.

External dimensions: 27 in. deep by 22 in. wide by 57 in. high.

Price £60, plus 5 per cent purchase tax.

Agdon Steel Equipment Ltd, 329 Gray's Inn Road, London WC1.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BABER, OWEN & Co, Chartered Accountants, of Bristol, announce that Mr R. L. OWEN, F.C.A., their senior partner, is retiring from the partnership at March 31st, 1962. He will continue as a consultant to the firm at 18 Baldwin Street, Bristol 1.

MESSRS BAKER, SUTTON & Co, Chartered Accountants, of Eldon Street House, Eldon Street, London EC2, announce the retirement of their senior partner, Mr A. J. M. ROBERTS, F.C.A., as from March 31st, 1962. Mr ROBERTS will continue to be available in a consultative capacity for the time being. Mr R. A. BAILEY, A.C.A., a senior member of their staff for some years, has been admitted as a partner as from April 1st, 1962.

MESSRS BLAND, FIELDEN & Co, Chartered Accountants, of 11 Sir Isaacs' Walk, Colchester, announce that Mr C. S. ROBINS, F.C.A., Mr C. A. GODDARD, F.C.A., and Mr MARK FIELDEN, B.A., A.C.A., have been taken into partnership. The name of the firm will remain unchanged. They also announce that their London practice has been merged with that of MESSRS BIRD & PARTNERS, under the name of BIRD, BLAND & Co, at 4 Broad St Place, London EC2. Telephone: London Wall 2122.

MESSRS W. L. GALLANT & Co, Chartered Accountants, of Leeds, and MESSRS WATSON & MCLAREN, Chartered Accountants, of Leeds, announce that they have agreed to amalgamate their practices with effect from April 6th, 1962, under the firm name of W. L. GALLANT, MCLAREN & Co. Mr F. B. WATSON, M.A., F.C.A., having retired, the partners in the new firm will be W. L. GALLANT, F.C.A., A. D. MCLAREN, M.B.E., T.D., F.C.A., R. OLDROYD, F.C.A., and R. HARRISON, A.C.A. The address of the new firm will be 24 Lower Basinghall Street, Leeds 1.

MESSRS ROBSON, MORROW & Co announce that, as from April 2nd, 1962, they will have moved their offices from 59 New Cavendish Street, W1, and their new address will be 4 Copthall Avenue, London EC2. Telephone: National 8971/8.

MESSRS THOMSON MCLINTOCK & Co, Chartered Accountants, of 57 King Street, Manchester 2, announce that as from April 2nd, 1962, their address will be 12 Booth Street, Manchester 2. Telephone: Central 1142.

MESSRS W. ROWLAND WALLER & Co, Chartered Accountants, announce that Mr W. A. WALLER, B.COM., F.C.A., and Mr F. A. WALLER, A.C.A., will retire from the firm on April 1st, 1962. The practice formerly carried on by the firm at Southend-on-Sea has been acquired by the retiring partners who will, in future, practise as WALLER & Co. This new firm will be amalgamated with the practice already carried on by the retiring partners as VERNON BAXTER & Co.

MESSRS WHITFIELD & Co, Chartered Accountants, of Leeds and Bradford, announce that as from March 31st, 1962, their address will be Leefield House, 116 Cardigan Road, Leeds 6.

MESSRS WILKINS, HASSELL & Co and MESSRS KENNEDY, FOX, OLDFIELD & Co, Chartered Accountants, announce that as from April 1st, 1962, their practices are to be amalgamated. The combined firm will be carried on under the name of WILKINS, KENNEDY & Co at 8 Queen Street, London EC4, 10 Warrior Square, Southend-on-Sea and Risborough House, Sycamore Road, Amersham. The London partners will be MESSRS ERIC F. WILKINS, F.C.A., R. G. MAIN, F.C.A., H. E. HASSELL, F.C.A., N. G. REEVES, F.C.A., A. W. GARNIER, F.C.A., and N. J. MILLARD, F.C.A., together with Mr B. CHANCE, F.C.A., who has been a member of the staff of MESSRS KENNEDY, FOX, OLDFIELD & Co for a number of years and has been admitted to partnership as from April 1st, 1962. The partners of the Southend-on-Sea firm will be Mr M. A. WREN, A.C.A., and the London partners, and the partners of the Amersham firm will be MESSRS D. G. WILKINS, A.C.A., H. W. S. WESTERMANN, F.C.A., and the London partners.

MESSRS JOHN M. WINTER & SONS, Chartered Accountants, of Berkeley Square House, Berkeley Square, London W1, announce that Mr DOUGLAS WINTER, F.C.A., retires from the firm on March 31st, 1962, but will continue to be available in a consultative capacity.

Appointments

Mr Peter W. Barrows, A.C.A., has been appointed a director of Birmingham & Midland Counties Trust Ltd.

Mr W. R. Dean, A.C.A., has been appointed secretary of Smethwick Drop Forgings Ltd.

Sir Archibald Forbes, G.B.E., C.A., has been appointed a deputy chairman of the board of directors of Midland Bank Ltd and of Midland Bank Executor & Trustee Co Ltd.

Mr L. A. H. Sarl, F.C.A., and Mr R. C. Wickenden, A.C.A., have been appointed divisional directors of Carreras Ltd.

Mr E. Sinnott, F.I.M.T.A., F.S.A.A., has been appointed deputy chairman of South Eastern Electricity Board.

Mr D. C. Wasdell, A.C.A., has been taken into partnership by Messrs Smith, Keen, Barnett & Son, stockbrokers, of Birmingham.

JOHN FOORD & COMPANY
56 VICTORIA STREET, LONDON SWI
Telephone: Victoria 2002 (3 lines)
REVALUATION OF ASSETS
WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Mr Brian J. Whelan, B.COMM., A.C.A., has been appointed deputy head of the development unit of the Irish Management Institute.

THE 'RED BOOK'

The 1962 edition of the *List of Members* (the 'Red Book') of The Institute of Chartered Accountants in England and Wales is now published and distribution is nearing completion. The 'Red Book' records a total membership of the Institute of 35,229 compared with the previous year's figure of 33,867. The following table shows the number in each class of membership:

Members in practice within the Metropolis		
Fellow	2,623	
Associate	637	
Incorporated accountant member F.S.A.A.	5	
Incorporated accountant member A.S.A.A.	5	
		3,270
Members in practice in the United Kingdom but not within the Metropolis		
Fellow	5,719	
Associate	1,459	
Incorporated accountant member F.S.A.A.	23	
Incorporated accountant member A.S.A.A.	6	
		7,207
Members residing in but not practising in the United Kingdom		
Fellow	9,971	
Associate	9,670	
Incorporated accountant member F.S.A.A.	814	
Incorporated accountant member A.S.A.A.	209	
		20,664
Members not residing in the United Kingdom		
Fellow	1,785	
Associate	1,403	
Incorporated accountant member F.S.A.A.	575	
Incorporated accountant member A.S.A.A.	325	
		4,088
Total		35,229

The changes made in last year's edition in order to conserve space – such as the omission of dates of election to fellowship – are now a constituent part of the year book, as is the breakdown of the London membership into various districts. Other information includes the names of Past-Presidents and Vice-Presidents; membership of the Council and its committees, and details of the district societies and students' societies. Details are also given of the objects and work of the Chartered Accountants' Benevolent Association, with which – subject to approval by the Court – the Benevolent Fund of The Society of Incorporated Accountants is to be integrated.

TAX RESERVE CERTIFICATES

It is announced by the Treasury that Tax Reserve Certificates of the ninth series issued from March 24th, 1962, until further notice, under the terms of the prospectus dated March 21st, 1961, will bear interest at the rate of 3 per cent per annum.

The rate of interest on certificates of the ninth series subscribed before March 24th, 1962, will remain unchanged.

The interest on Tax Reserve Certificates is free of tax. Grossed up at 7*s* 9*d*, the new rate of interest represents an equivalent yield of £4 17*s* 11*d* per cent per annum.

IN PARLIAMENT

General Commissioners of Income Tax

Mr HALE asked the Attorney-General what is the procedure for the appointment of Commissioners of Income Tax; and what precautions are taken to ensure that the Commissioners are representative of all classes of the community.

THE ATTORNEY-GENERAL: I assume that the question refers to the appointment of General Commissioners of Income Tax. Since January 1st, 1960, the authority to appoint General Commissioners of Income Tax has been vested in my noble friend the Lord Chancellor, though in a few Divisions appointments may also be made by the magistrates for the area. To assist him in discharging this duty my noble friend has set up Advisory Committees throughout the country, similar to those which advise him on the selection of candidates for appointment as Justices of the Peace. When appointing General Commissioners, my noble friend's primary concern is to find persons of integrity, discretion and impartiality who also have some experience of the manner in which the income tax operates and the way in which it can affect the taxpayer. Subject to these overriding considerations, he bears in mind the desirability of including among the General Commissioners persons from different sections of the taxpaying community.

Hansard, Mar. 22nd, 1962. Written Answers. Col. 61.

SOUTH WEST LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at the Kingston Hotel, Wood Street, Kingston upon Thames, on Monday next at 6.45 for 7 p.m., when the subject for discussion will be 'The Common Market'. Mr Rudolf Nieuwenhuis will open the discussion.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday, April 2nd, 1962, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The Scripture for reading and thought will be Romans, Chapter 8, verses 1 to 9 (The enabling of the Spirit).

MOTOR — FIRE — CONSEQUENTIAL LOSS
MOTOR UNION INSURANCE COMPANY LTD
10 ST JAMES'S STREET, LONDON, SW1

CHESTER AND NORTH WALES CHARTERED ACCOUNTANTS

At the annual meeting of the Chester and North Wales Branch of the Liverpool Society of Chartered Accountants, held on March 16th, the following officers for the year 1962–63 were elected:

Chairman: Mr E. Catherall, F.C.A.
Vice-Chairman: Mr C. W. Robinson, F.C.A.
Hon. Secretary: Mr P. G. Lane, F.C.A., 20 Nicholas Street, Chester.
Hon. Treasurer: Mr J. G. Raymond, F.C.A.
Hon. Auditor: Mr Frank Hack, F.C.A.

Messrs G. R. Hargreaves, F.C.A., and J. G. Raymond, F.C.A., were re-elected to serve on the Committee and Mr J. R. Townley, F.C.A., was elected to the Committee.

THE INSTITUTE OF INTERNAL AUDITORS
London Chapter

The next meeting of the London Chapter of the Institute of Internal Auditors will be held on Wednesday next, April 4th, at the Kingsley Hotel, Bloomsbury Way, London WC1, at 6 p.m. The speaker will be Mr G. H. Day, of Heal & Son Ltd, and his subject will be 'Credit control'.

PRODUCING FOR EUROPEAN MARKETS

An interesting booklet entitled *Producing for European Markets* published recently by the British Productivity Council comprises the text of papers given at the joint B.P.C. and Export Council for Europe Conference at the 1961 Factory Equipment Exhibition, held in London last November. Contents include addresses on 'Europe's consumer goods requirements', 'Facing up to the challenge', and 'Europe's capital goods requirements'.

Copies of the booklet are obtainable from the British Productivity Council, Vintry House, Queen Street Place, London EC4, price 2*s* 6*d*.

ACCOUNTANTS' WEEK-END SCHOOL

The third residential week-end school of the British Association of Accountants and Auditors will be held at New College, Oxford, from July 20th to 22nd. Three papers are to be presented as follows:

'The Finance Act, 1962', by Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Assistant Editor of *Taxation*.
'The law of master and servant', by Mr F. H. J. Wileman, LL.B., F.C.C.S., Secretary of the Corporation of Secretaries.
'Accounting as an aid to management', by Mr F. A. J. Couldery, F.C.A.

In addition there will be a taxation brains trust with Mr S. H. Reilly, A.C.A., as question master.

LOCAL GOVERNMENT SERVICES

The tenth annual return of education statistics containing information relating to all local education authorities in England and Wales for the year ended March 31st, 1961, was issued recently by The Institute of Municipal Treasurers and Accountants in conjunction with the Society of County Treasurers[1].

Total expenditure chargeable to rates and grants rose by £54,863,214 to £706,328,302 or an increase of £1,087 to £15,440 per 1,000 population. Primary education including nursery cost £216,139,859, secondary education £256,940,300 and further education £86,629,036. The average number of pupils on school registers totalled 6,984,433.

PRODUCT COSTING AND BUDGETARY CONTROL

Budgetary control can be applied effectively and economically in furniture firms. This is the theme of the second Furniture Development Council Costing Course to be held at the Charing Cross Hotel, London, on April 10th and 11th.

Speakers will deal with the benefits gained by management from the use of the Council's costing principles and budgetary control, the accounting work necessary will be explained, and two leading furniture manufacturers will lead discussions on their experience of budgetary control and standard costing.

The speakers taking part will include Mr Martin Callender, B.COM., F.C.W.A., managing director of Martin Callender & Co, Management Consultants; Mr A. R. Swannack, A.C.W.A., of Associated Industrial Consultants; Mr F. M. Dwiggins, of Arthur Andersen & Co, and two leading furniture manufacturers.

The course will last from 9.30 a.m. to 5 p.m. on both days and will cost eight guineas, including lunch and light refreshments. Applications should be addressed to The Furniture Development Council, 11 Adelphi Terrace, Robert Street, London WC2.

ECONOMIC CONDITIONS IN AUSTRIA

A further booklet in the 1962 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued covering Austria. Copies of the booklet are obtainable from H.M. Stationery Office, price 3*s*.

[1] *Education Statistics, 1960–61*, price 6*s* post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1.

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THE ACCOUNTANT

ESTABLISHED 1874

APRIL 7TH, 1962 VOL. CXLVI. NO. 4555

CONTENTS

	Page
Economic Survey	401
Taxing Capital Gains	403
Training for the Profession – Fact and Fantasy by *R. J. Carter, B.Com., F.C.A.*	404
Directors' Reports – their Form and Content by *R. S. Waldron, F.C.A.*	407
The Accounting World	410
Weekly Notes The Budget on Television – Almost Balanced – The Fiscal Year 1961–62 – Movements of Private Capital – Britain into Europe? – New Style P11D Form – Two Farms, One Trade – A Tax Forum? – Not Really Private – Irish Export Expansion	412
This is My Life . . . by *An Industrious Accountant*	415
Finance and Commerce Ilford Ltd – Stock Exchange Statistics – City Notes – Rates and Prices	416
The Institute of Chartered Accountants of Scotland Annual General Meeting	420
East Anglian Society of Chartered Accountants Dinner in Colchester	422
Taxation Case Lazard Investment Co Ltd *v.* Rae	422
The Association of Certified and Corporate Accountants Extracts from the Report of the Council for 1961	423
Week-end School in Cambridge	425
Notes and Notices	426

Economic Survey

THE 'new look', which was first introduced into the annual *Economic Survey* in 1960, has now become firmly established. It makes for easier reading and a better appreciation of the main economic issues facing the nation. Part 1 of this year's *Survey*[1], published on Wednesday, summarizes the economic happenings of 1961, outlines the prospects for 1962 and discusses certain aspects of current economic policy. Part 2 fills in the details of the outline history sketched in the first part and provides the relevant statistical evidence.

During 1961 there were two distinct phases in the development of the domestic economy. In the spring and early summer demand and output grew fairly rapidly. Most sectors shared in this increased demand. Fixed investment and Government expenditure continued their upward trend, the pace of personal consumption quickened somewhat and exports rose during the first quarter. These increases in demand led, naturally enough, to a rise in production. The Budget provided for a large surplus on revenue account but was not otherwise intended to have any pronounced effect, either in stimulating demand or restraining it. Pressure on sterling developed after the revaluation of the German and Dutch currencies; exports ceased to rise, and the pressure of home demand on resources grew with the consequent increase in costs and prices. Had it not been for the Basle arrangements by which European banks agreed to hold sterling, the outflow of funds would have been even more serious. As it was, the reserves fell by £265 million.

Measures to strengthen the United Kingdom economy, to restore confidence in sterling, and to improve the balance of payments were announced in the so-called 'Little Budget' of July 25th. Some of these measures were immediately operative. Bank rate was raised from 5 per cent to 7 per cent, a large drawing was made from the International Monetary Fund, and the wage and salary 'pause' was instituted.

In the months following these special measures the pressure of demand on resources eased considerably. Personal consumption fell, fixed investment reached a peak in the third quarter and thereafter fell. Public expenditure continued to rise, however, and exports continued roughly unchanged. The index of production ceased to rise after the middle of the year and was actually falling in the closing months. Confidence in sterling was however regained, the balance of payments situation improved considerably, some of the debt to the I.M.F. was repaid and before the end of

[1] *Economic Survey 1962*. (Cmnd. 1678.) H.M.S.O. Price 3s 6d.

the year, some reduction in Bank rate occurred. Although retail prices continued to rise during the year, costs in manufacturing industry were not rising nearly so fast as in the early part of the year.

During the year as a whole industrial production rose by a little over 1 per cent and averaged 114 (1958=100). The gross national product in 1961 is estimated at a little short of £23,500 million compared with just over £22,100 million in 1960. Of this rise of 6 per cent, only 1½ per cent is a real increase, the remainder is due to a rise in prices. Total investment in 1961 was substantially higher than in 1960 and was equal in value to 19 per cent of the gross national product, possibly the highest rate achieved since the end of the war. Both public and private investment rose during the year; the rise in investment in manufacturing industry was particularly rapid, being no less than 20 per cent higher than in 1960.

Exports in 1961 were at a record level and were 3½ per cent higher in money terms than in 1960. Sales to Western Europe increased steadily but those to North America were lower. Imports declined during the year and were £143 million, or 3 per cent lower, than in 1960. The deficit on balance of payments declined from the amended figure of £288 million for 1960 to an estimated deficit of £70 million in 1961. Invisible earnings declined to the lowest figure yet recorded – £65 million. The fall in invisible earnings compared with 1960 is due in the main to an increase in Government expenditure overseas.

Income from employment was more than £1,000 million higher than in 1960 – an increase of about 7 per cent; gross trading profits of companies fell from around £3,600 million to £3,400 million. Not all the increase in personal incomes was spent, private savings rose from £1,600 million to nearly £2,100 million. The number of persons in employment rose by 184,000 in the year; even so, there were widespread shortages of skilled labour throughout the year. There is some evidence that output per head at the end of 1961 was no higher than at the beginning of 1961. Cuts in the working week appear to have had a depressing effect on output.

The *Survey* suggests that world trading conditions in 1962 are favourable to exporters in the United Kingdom and an increase in the level of exports is expected over the next few months. Production should also begin to rise again before long. Some of the spare capacity which now exists in industry should be absorbed and the pressure of demand on resources will be higher than at present. As regards imports, the *Survey* says: 'A further improvement in the balance of payments on current account seems likely in 1962. Imports will build up again as output and stock-building rise but experience suggests that this may not start for some time.'

The Government reaffirms its intention to keep increases in incomes within the increases in output; only in this way, it is stated, can exporters take full advantage of the opportunities before them. In this connection the *Survey* has this to say: 'If this policy is applied and the rate of increase of money incomes in 1962 is kept within reasonable limits, our competitive strength will increase; and the nation as a whole will benefit from a more stable cost of living.'

The importance of the National Economic Development Council is stressed and some of the tasks it can perform in the national interest are defined as follows:

'(*a*) to examine the economic performance of the nation with particular concern for plans for the future in both the private and the public sectors of industry;

(*b*) to consider together what are the obstacles to quicker growth, what can be done to improve efficiency, and whether the best use is being made of our resources;

(*c*) to seek agreement upon ways of improving economic performance, competitive power and efficiency, in other words to increase the rate of sound growth.'

These aims, state the *Survey*, provide the only sound basis for sustaining economic growth. It is only to be hoped, therefore, that they will be realized.

Taxing Capital Gains

THE CHANCELLOR OF THE EXCHEQUER left no doubt in his last Budget address that certain profits at present tax free should be brought within the existing system of taxation, though he then recognized practical objections to a conventional capital gains tax. Later, in his 'Little Budget' statement in July, he served due notice in these words:

> 'The activities I want to see taxed are of two kinds. The first kind are those seeking short-term profits, which are more in the nature of speculation than investment; for example, short-term transactions in shares and securities. The second kind are, in effect, trading activities – often in real estate – but cloaked in such a form as to escape liability under the present law.'

So whatever else the CHANCELLOR has in store for us on Monday he seems certain to break new ground by introducing some form of tax on short-term capital gains. Just what form this tax will take, what rate or rates will be imposed, whether it will be retrospective in application, whether losses will be allowed as a set-off, what exemptions, if any, will be granted and so forth, must remain in doubt for the moment. But there is no need for anyone to remain in doubt as to the administrative, economic and legal considerations involved, for all these problems are fully discussed in a masterly and at the same time extremely topical book on the whole field of capital gains taxation published this week.[1] Moreover, the author, MR A. R. ILERSIC, actually goes as far as to foreshadow the lines the tax might be expected to take – and its economic consequences.

The author reminds us that there is nothing in the Income Tax Acts to prevent capital gains being taxed as trading profits. Why, then, have such 'profits' been left untaxed? Part of the answer seems to be due to the fact that losses would have to be set against ordinary income, with dire consequences for tax revenues in the event of a depression, as the United States Treasury experienced during 1930–32. But the real reason, no doubt, is the lack of comprehensive information upon which assessments can be raised. It is not enough merely to pounce upon those taxpayers who do return sufficient information. That simply penalizes honesty. Either all taxpayers should make a full return and all should be charged, or none at all. MR ILERSIC puts forward an ingenious scheme for coping with this dilemma while, at the same time, meeting the CHANCELLOR's avowed intentions.

The book describes in detail the experience of the United States and of Sweden in administering their particular forms of tax, comparing them with United Kingdom law, both as it is, and as it might be under various alternative proposals.

The case for taxing capital gains at all really rests on two main arguments. First, because the gains accrue in the main to a wealthy minority, the present unequal distribution of wealth is perpetuated. Secondly, a minority of the community which by virtue of their ownership of capital already enjoy high incomes, receive further tax-free increments in the form of capital gains.

On the other hand, there are some who would argue that such a tax would be extremely complicated to administer, besides being harmful to a free enterprise economy dependent upon private saving and investment. Nevertheless, there may be some lessons to be drawn from United States procedure, since there they have managed to live with a capital gains tax for close on half a century. So some form of the tax at least is practicable, while the economic effects are evidently not so harmful as the critics allege.

It is interesting to note that despite the comprehensive definition of 'capital assets' in the United States, the main source of capital gains is stock exchange transactions, and it has been estimated by the United States Treasury that about three-quarters of all gains are derived from this source. Moreover, if American experience is anything to go by, the yield from such a tax is likely to be disappointing. Published figures reveal that between 1948 and 1958, the United States capital gains tax brought in no more than 3 per

[1] *The Taxation of Capital Gains*, by A. R. Ilersic B.COM., M.SC.(ECON.), Staples Press, London. 21s net.

cent of the total yield of the income tax. In terms of the United Kingdom income tax this would represent about £50–£80 million per annum. As MR ILERSIC laconically observes:

> 'When putting the case for taxing capital gains it is better that it rest on considerations of equity rather than on spurious "estimates" of the relief the tax may provide the ordinary taxpayer.'

On this issue, revenue needs are subordinate to the claims of social justice.

Armed with the facts and arguments in this book, the most the long-suffering taxpayer can hope for is to fight a spirited rearguard action against the predatory arm of the Inland Revenue; for capital gains seem fated to remain in the fiscal limelight for many years to come.

Training for the Profession— Fact and Fantasy

by R. J. CARTER, B.Com., F.C.A.

Secretary of the Chartered Accountant Students' Society of London and of the Union of Chartered Accountant Students' Societies

THE Parker Report has led those concerned with the future of the profession to give much thought to the methods of producing the accountant able to fulfil the requirements he will have to meet in the conditions of the years to come. Naturally, there has been a great deal heard in favour of extending the academic element of training. Pressure has come from the universities and the technical colleges and schools who would like the academic share to be increased, and also from students who think they see easier ways of learning their professional skill and a relaxation of the heavy burden involved in acquiring the necessary knowledge and experience within a limited time.

The views expressed are the author's personal opinions and have no official significance

Basic Factors

There is much apparent weight in the arguments which have been marshalled on the academic side but if useful conclusions are to be attained, it is surely necessary to begin with a balanced assessment of the position as a whole.

The first thing to be determined is the nature of the work which the profession will be called upon to provide if it is to justify its continued existence; then to decide the best methods of training the applicant for admission so that he conforms to the requirements and can bear efficiently his share of the burden of sustaining the position and reputation of the Institute in the business world.

The basic fact that is quite clear from any review of the conditions under which the profession works, is that the only justification for its existence is the continued provision of useful service to undertakings engaged in business. Any inquiry into the facts will also show that the majority of accountants spend their working lives ministering to the needs of small and medium-sized undertakings, either as practitioners or as industrial accountants. Inevitably much more is heard of the work done for the very large undertakings, but work of this calibre is in the hands of a small minority of the profession who have attained to its highest ranks. The reputation and the continued existence of the profession is firmly based on the services its members provide for the ordinary business of medium size.

It seems likely that these conditions will continue in the foreseeable future and if all businesses became large ones (an unlikely development), the profession would dwindle until it consisted of a few high-powered members and a larger number of semi-seniors.

In the light of these hard facts what is the nature of the services for which the profession will be asked? Obviously it is such down-to-earth

work as providing accountancy information called for by the Companies Act and other legal regulations, settling figures for taxation and giving such guidance and information as can be usefully obtained by the intelligent application of facts revealed by accounting records – all this for small and medium-sized undertakings.

Basic Training

In selecting applicants for admission to the profession the essential basic consideration is therefore that they have attained the necessary technical skill which will enable the professional body admitting them to assure the business public of their ability to perform such accountancy functions as these. The fundamental element in this skill is the practical experience – the 'know-how' of the day-to-day exercise of the craft of accountancy and the contacts with those who will use its products. Without it, the job cannot be done; the needs of the business man cannot be met. Unless the training for admission provides the 'know-how' which can only be attained by practical experience, the profession will lose the reputation upon which it depends for its existence.

Parallels are often drawn between legal and accountancy training. But whereas a man may become a very good lawyer after a purely academic training without any practical experience at all, no amount of theory without practical experience will produce an efficient accountant. An example of this is seen in the U.S.A.; in that country it appears that professional qualifications in accountancy are obtained by degree courses at universities containing almost no practical experience. As a result, when the 'qualified accountants' enter the real world of business, the professional firms to which they go have to put them through a course of practical training to fit them to perform the actual functions of qualified accountants. It is just as impossible to produce an accountant by academic training alone (even with the use of 'business games', imaginary exercises and visits to business undertakings) as it is to learn to be a cyclist by lessons in the back garden. The back garden may be a good place to learn to balance on a bicycle but the real cyclist only emerges after experience in traffic.

The Institute has always insisted that the practical skill needed to provide the accountancy services required by the ordinary client must be a paramount condition of admission to the professional qualification. The importance of this practical qualification cannot be too heavily stressed in face of the proposals, so often made recently, that it be depreciated by substituting more of the academic training. There can never be a conclusion to the argument about how long is the period of practical training necessary, since practical experience does not come in regular doses or in controlled sequence like laboratory illustrations. But that does not detract in any way from the vital need that the candidate acquire the real 'know-how' in full measure sufficient to enable him to satisfy the needs of his clients or employers.

Technical Schools and Colleges

The colleges and schools of technology seem to have only a minor place in the training for the practice of accountancy. They can provide efficient tuition for such practical crafts as engineering because the conditions of an engineering shop can be fully duplicated in the school workshop. But an 'accountancy workshop' is merely a shadow of the real thing for it can only provide examples of the materials and equipment used but no experience of the important personal contacts and relationships which constitute the principal practical problems of the professional accountant, whether he be in practice or in industry. An 'accountancy workshop' may be a helpful facility for beginners in book-keeping but it has the same function in the training of a professional accountant as the anatomical specimens of the medical student. Nobody would contend that a medical student who had only advanced as far as dissecting specimens and had no experience of a real patient, would be qualified to call himself a practitioner. In any case, the accountancy student meets the real thing during his office work so he does not need an artificial example.

What then have the technical colleges and schools to offer in the training of practical accountants? Their only advantage is oral tuition in the theory and background of accountancy to replace the present system of correspondence courses. It is generally agreed that oral tuition usually gives a more complete and individual method of tuition than a correspondence course. But this advantage is bought at the cost of much more time consumed and the extra time would have to be found either by extending the period of training (quite an unacceptable proposal) or by reducing the amount of practical experience available to the student. Since practical experi-

ence must be the basic element in the training of the accountant who is to be qualified to meet the needs of his clients or employers, the result of any alteration of training methods towards more oral tuition must inevitably be a lower standard of qualification in the essential skill of the candidate for admission to the Institute.

There is the further point, emphasized by the Parker Report, that correspondence tuition provides the candidate with most valuable training in self-organization and self-discipline which is lost if he can rely on the goading of personal tutors instead of his own initiative alone.

If the policy of the Ministry were to develop departments of commerce (including accountancy) as adjuncts to technical colleges whose main function is tuition in technological subjects, what hope is there of proper tuition for professional accountancy students under the conditions of a side-line in a technical school? The most that the technical schools can do is to provide tuition in the technique of book-keeping which is the elementary skill the accountancy student must acquire before he can start his training in real accountancy. Even this should be under the close supervision of the Institute through its practising members, so that the practical aspect of the subject is protected from the degrading influence of merely getting past the examiner.

The Function of the Universities

All that has gone before is not to be read as inferring that the universities and the more academic side of the profession do not have an important part to play in the future of accountancy. The universities can make a vital contribution to its progress in two ways where no other body is able to help. The first is the application of fundamental research to the problems which arise in any advancing profession. The only point here to be kept in mind is that after academic research comes practical application, just as the application of research in a chemical laboratory often calls for much adaptation before the chemical engineer can organize an industrial production process.

The second contribution which the universities can make to the profession is that they can train the mind of the student so that he has a far more efficient implement in his head when he comes to his professional training and is therefore much better able to get the most out of that training and to become in the end a much better accountant. This is a benefit which any good university course can confer on its students, whatever the subjects studied. But it needs an adequate time; the so-called 'academic year' sandwiched into accountancy training is not a university course in any real sense. It is also obvious that the university course should come after the student leaves school and before he starts his training for practical accountancy. With that arrangement he will move smoothly from school learning to university mind-training and then on to acquire the practical skill of his profession. But it is important that both the student and his university teachers realize quite clearly that at the end of his academic training he still has to learn most of the facts of real life. They are not encountered inside the university's artificial atmosphere of imaginary examples and controlled experiment, but only when he is exposed to the harsh winds and heavy weather of real business life. On leaving the university he is far from being a qualified accountant. Accountancy is a craft, not an intellectual exercise. The qualified accountant must have acquired practical 'know-how' which can only be gained in one school, the long, hard road of day-to-day practical experience. An intelligent and trained mind will be a priceless help in acquiring the skill and in applying it in the profession but it is no substitute for the skill itself.

Justification for the Continuance of the Profession

There will always be a useful place in the development of the profession for those who have the gift and the training to apply the scientific mind in the calm of the academic atmosphere to the fundamental theoretical problems which must occur in any field of knowledge. But the only real function of the active accountancy profession is to provide a service to undertakings engaged in the rough and tumble of business life. No airy-fairy practitioner or theoretical industrial accountant can meet the hard requirements of these conditions. If the profession is to maintain its service to the business man, it must therefore continue to give the major emphasis in its training methods to practical experience, and resist the present pressure to substitute academic study. If it fails to do this, it will cease to be a useful contributor to the needs of the community and, quite rightly, it will die – with its head in the clouds.

Directors' Reports — their Form and Content

by R. S. WALDRON, F.C.A.

EVERY year, shareholders in limited companies incorporated in Great Britain receive a document from the company. It consists usually of a booklet containing the following specific items:

(1) notice of the annual general meeting;
(2) directors' report;
(3) balance sheet and profit and loss account;
(4) auditors' report; and
(5) chairman's statement (sometimes detached; sometimes excluded).

While the form of notice convening the annual meeting is incapable of great variation, much has been written and stated about published accounts and auditors' reports, and the form of the chairman's annual statement or review mainly follows the taste of the individual concerned. Other information is often included in the annual report, such as details of directors, secretary and other executives, auditors, etc.; and many companies of standing give the names and business of their subsidiaries. (There is a strong case for enforcing the publication of such information by all companies owning subsidiaries – and even to the publishing of details relating to associated companies too, as has been urged from some quarters in evidence to the Jenkins Committee, though neither the pros nor cons of that matter are relevant to this article.)

It is, however, noticeable that one item amongst those listed above has not been dealt with extensively by those who write on accounting matters, namely, the directors' report. Not only, indeed, is this neglected as a subject of discussion, it is also very often drafted in a manner quite contrary to the requirements of law.

Statutory Requirements

Section 157 of the Companies Act, 1948, states:

'(1) There shall be attached to every balance sheet laid before a company in general meeting a report by the directors with respect to the state of the company's affairs, the amount, if any, which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to reserves within the meaning of the Eighth Schedule to this Act.

'(2) The said report shall deal, so far as is material for the appreciation of the state of the company's affairs by the members and will not in the directors' opinion be harmful to the business of the company or of any of its subsidiaries, with any change during the financial year in the nature of the company's business, or in the company's subsidiaries, or in the classes of business in which the company has an interest whether as a member of another company or otherwise.'

In spite of this reasonably clear direction as to the content of a directors' report, it is true to say that while most conform with the requirements relating to dividends and reserves, many do not comply with the law in other aspects. In the course of a random examination of one hundred annual reports of public companies, the following classification was made in regard to the directors' reports:

(i) Number summarizing the profit and loss account (or the consolidated profit and loss account)	63
(ii) Number incorporating some material part of the accounts (as permitted by section 163 of the Companies Act) ..	3
(iii) Number complying fully with section 157	33
(iv) Number in which report was combined with the chairman's statement ..	1

If an examination were made of the form and content of similar statements relating to private companies, there is little doubt that the preponderance would be still more in favour of those in group (i) above. It seems apparent, therefore, that the emergence in recent years of the desire – particularly amongst those responsible for designing accounts of smaller companies – to improve the design and presentation of accounts, does not appear to have extended to directors' reports as well.

Secretary's Dilemma

If we turn from directors' reports to chairmen's statements, however, we do perhaps find one reason why this is so. More and more of such statements are being circulated to members with the annual accounts. This is, of course, entirely natural and logical, since only a small proportion of shareholders do, or are able, to attend annual

meetings because of distance, work and other valid reasons. In these circumstances, many chairmen's statements do a useful job in a convenient way by reviewing the year in retrospect and in looking towards the future.

So far as many public companies are concerned, therefore, the result is that matters which fall within the compass of the directors' report are instead dealt with by the chairman in his annual review. This, then, is the dilemma of the company secretary: in preparing a draft for approval by the board, is he to deal faithfully with these matters in the directors' report, as in fact required by law, and in so doing, perhaps deprive his chairman of much of the material needed for his review; or is he to compromise with the requirements of the Companies Act and prepare for his board the 'usual' statement?

The Stock Exchange Gazette some while ago commented on this matter in an article praising the report and accounts of S. Smith (England) Ltd. 'This', it was stated, 'is indeed a directors' report and not just the recital of facts which are merely a repetition of what appears in the profit and loss account and balance sheet.'

What, then, is to be done about this state of affairs? Must we for ever resign ourselves to a report which serves no useful purpose and adds nothing to the accounts themselves? It is suggested that a new approach to this subject may be achieved by studying the purpose of the directors' report as laid down in section 157. It will be observed that the report is to deal not merely with reserves and dividends, but with 'the state of the company's affairs [and] any change . . . in the nature of the company's business, or in the company's subsidiaries, or in the classes of business in which the company has an interest. . . .' Nor is this all. It is also made clear that information along these lines is to be given so as to enable the members to obtain an 'appreciation of the state of the company's affairs'. In other words the whole exercise is to assist in the interpretation of the accounts. This is undoubtedly where the majority of deficient directors' reports fall down. And, of course, there can be no objection in including additional information so long as the statutory requirements are met. In fact, in one instance known to the writer, the chairman's statement is combined with the directors' report – under the latter title, of course.

Perhaps it is fair to observe at this point that in many cases (especially where private companies are involved) no changes of the kinds referred to in the Act may have occurred, the 'state of affairs' being fully dealt with by the accounts themselves. Is it then to be assumed that no report need be issued? The answer to this question is surely 'No'. There is no proviso excusing the directors of the obligation to attach a report on a company's state of affairs to all annual accounts; moreover, it can be said that the omission of any comment on whether changes have occurred or not, is at least ambiguous. It is therefore suggested that in the absence of any change of a nature defined in section 157 (2), the directors' report should contain a definite statement to this effect, e.g. 'No changes have taken place during the year under review in the nature of the company's business (or in its subsidiaries) or in the classes of business in which the company has an interest'.

Additional Information

It is obvious that a report on the lines indicated above need not conflict with nor detract from the chairman's statement. Rather, in this form, does the report become complementary to the accounts themselves, providing essential background information for members.

On the other hand, the chairman's statement should be supplementary; giving additional details which, while interesting and enlightening, are not necessarily essential to an understanding of the accounts. It could, perhaps, be put that the directors' report is retrospective in character, while ideally the chairman's statement to a material degree might be prospective.

Information additional to that required by the Companies Act to be included in a directors' report, but which may be found in the reports of some of the more progressive companies, include the following:

(1) goods produced;
(2) orders received;
(3) changes in capital structure;
(4) capital expenditure;
(5) reasons underlying specific reserve appropriations;
(6) changes in and re-election of directors; and
(7) continuation in office of auditors and remuneration thereof.

Of the above examples, those mentioned at (6) and (7) are, of course, invariably found in directors' reports, whereas those at (1) to (5) are exceptional. It is to be hoped that before long they will not be so rare, and that we may even see them becoming accepted and normal features of directors' reports.

Law Reform

It is not, of course, possible to anticipate what recommendations may be made by the Jenkins Committee, but it may safely be assumed that the form and content of directors' reports will certainly not be ignored. Meanwhile it is of interest to note that the Australian Uniform Companies Bill of 1961 includes the following new provisions with regard to directors' reports:

(1) reference is to be made to new activities and assets;
(2) information is to be given regarding reserves;
(3) details are to included of any options granted over unissued shares; and
(4) there is to be attached to the accounts (though not necessarily as part of the report), a statutory declaration by the company secretary verifying to the best of his knowledge and belief the correctness of the balance sheet and profit and loss account.

Penalties

Having examined the legal requirements of section 157 of the Companies Act, 1948, relating to directors' reports, to what penalties may directors be liable for non-compliance? The penalty provisions are contained in subsection (3) which states:

> 'If any person being a director of a company fails to take all reasonable steps to comply with the provisions of subsection (1) of this section, he shall, in respect of each offence be liable on summary conviction to imprisonment for a term not exceeding six months or to a fine not exceeding £200:

Provided that:

(*a*) in any proceedings against a person in respect of an offence under the said subsection (1), it shall be a defence to prove that he had reasonable ground to believe and did believe that a competent and reliable person was charged with the duty of seeing that the provisions of that subsection were complied with and was in a position to discharge that duty; and
(*b*) a person shall not be liable to be sentenced to imprisonment for such an offence unless, in the opinion of the Court dealing with the case, the offence was committed wilfully.

The reference in proviso (*a*) to 'a competent and reliable person' could reasonably apply to the company secretary or accountant or, in cases where the task was delegated to him, the auditor, though it may be open to doubt whether such 'a person' would cover a firm of auditors. In any event the mitigating factors as regards directors are patently liberal; and so far as the writer is aware no prosecutions under subsection (3) have yet been made.

It may finally be observed that although the directors' report is to be attached to every balance sheet laid before a company in general meeting, section 158, which specifically requires the auditors' report to be circulated to members with the accounts, does not require the similar circulation of directors' reports. Moreover, the directors' report is excluded from the description of 'a document annexed or required to be annexed to a company's accounts' under section 163. On the other hand it is to be attached to any accounts attached to an annual return under section 127.

Conclusion

To sum up, therefore, it appears strangely enough that a directors' report need not be circulated to members with the accounts, but only laid before the annual general meeting. But since it is an almost universal practice to attach the report to the accounts despite the lack of legal requirement to do so, and because as has been seen earlier in this article, it is a concomitant of the accounts, it seems reasonable that in any reform of the law, the directors' report should be included among those documents which are required to be attached to the accounts for all purposes.

Another point which would appear to require tightening up is the way section 157 (1) is interpreted. At present, some reports reproduce the whole of the appropriation portion of the company's profit and loss account (and often, of the consolidated profit and loss account despite the fact that strictly those are not the figures called for – for the Act clearly says 'the company's affairs', not the group's affairs), while others merely refer to the figures given elsewhere in the accounts. Apart from the question as to which method may be regarded as 'correct', it does seem to be both logical and desirable that, on the one hand, comparative figures should be given if details of the appropriation are included in the report; and on the other hand, that the reference should be adequately 'keyed' by stating precisely where in the accounts the information may be found.

Finally, although the directors' report is not one of the documents upon which the auditors are required to report to the members, it is quite normal for it to be submitted to them for scrutiny and comment; and if it should in due course become a document required by law to be attached to the accounts, it will automatically come under the official scrutiny of the auditors, thus necessitating a change in the wording of their report.

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

Merger of Accounting Bodies

IN our issue of February 4th, 1961, we referred to a proposal for a merger of The Association of Certified Public Accountants of Ontario with The Institute of Chartered Accountants of Ontario. General agreement had been reached at that time between the committees of the two bodies on the desirability of the merger. However, following a ballot of members the proposal was defeated.

We now learn that as a result of a new poll recently conducted among members of the Institute, the required two-thirds majority has been obtained by a vote of 2,108 in favour of integration, as opposed to 424 against the plan.

As a result of this decision, and providing the amendments are enacted at this session of the Legislature, members will be asked to pass the necessary bye-laws at the Institute's annual meeting in May.

Members were also asked to vote on (and have voted in favour of) a request to the Government of Ontario to amend the Public Accountancy Act for the purposes of:

(*a*) excluding from the definition of 'public accountancy' those activities which can be performed with relatively little or no training in public accounting;

(*b*) providing for a single qualifying body to be created by the union of The Institute of Chartered Accountants of Ontario and The Certified Public Accountants Association of Ontario; and

(*c*) providing that the standard for qualification for a licence should be the Final examination of the Institute, and not merely the Intermediate examination as at present.

If legislative approval is given to the amendments, it is understood that the Institute will grant suitable partial exemptions from its course of study to an applicant who is a member of a recognized, non-practising association and who completes the prescribed course of instruction and examinations of that association, providing the applicant has acceptable education, background and obtains experience in public practice.

Capital or Revenue Expense?

A LONG-AWAITED judgment has been given by the Supreme Court of Canada in *Minister of National Revenue v. Haddon Hall Realty Inc* (62 D.T.C. 1001), the appeal dating from November 1959. The Supreme Court has reversed the former surprising decision of the Exchequer Court and has held the cost of replacing refrigerators, venetian blinds, and stoves, in an apartment house, to be a capital expense and so not deductible for tax purposes.

The Exchequer Court judgment, which itself reversed that of the Tax Appeal Board, caused a flood of appeals to the Board for deduction of similar expenditures which it was forced to allow. Miss Gwyneth McGregor, reporting this case in the *Canadian Tax Journal*, comments that some of these taxpayers will undoubtedly be re-assessed, but some will escape because the four-year limit fixed by the Income Tax Act has expired.

UNITED STATES

Misstated Inventories

THE firm of Peat, Marwick, Mitchell & Co became auditors of the Londontown Manufacturing Co, Baltimore, in May 1961 and had not been able to observe physical inventories, as is required in the United States, before May 31st, 1961. It indicated this fact in the company's prospectus issued in connection with a public offering of 150,000 shares on October 4th, 1961. Shortly before the end of 1961, learning that the earlier inventories had been understated, the firm insisted on full disclosure to the Securities and Exchange Commission.

Amended registration statements to be issued by the company will reveal the following particulars as to comparative earnings figures:

12 months to February 28th	*Prospectus*	*Corrected*
1957	·12	·13
1958	·23	·30
1959	·32	·53
1960	·76	·77
1961	1·40	·93
3 months to May 31st, 1961	·41	·32

The inventory understatements gave artificially low per-share earnings from the fiscal year 1957 through to 1960 and artificially high ones for the fiscal year 1961, the last to be reported in the prospectus. In a recent memorandum issued by the accounting firm it is stated:

'We did, of course, check prices, extensions and footings of the earlier inventories, but as we were not the auditors when these inventories were taken we had no means of determining the correctness of quantities, especially in the absence of cost records and perpetual inventories.

'While the company made excellent progress in sales and profits, we did feel that the results for the year ended February 28th, 1961, were out of line. However, this was largely attributed by the company to a move to a new plant location which had occurred in January 1961, the reduction of certain less profitable items, and increased prices in certain lines.'

Pension Planning and Unauthorized Practice of Law

A LONG statement by the American Bar Association's committee on unauthorized practice of law, in regard to pension and profit-sharing plans, was reproduced and commented upon in a recent issue of *The Journal of Accountancy*. 'It came as something of a shock', it is stated, 'to find that the committee appears to believe that only lawyers should be allowed actually to participate in the development of plans for clients.' While it is assumed that the statement represents only the views of the committee and not of the American Bar Association, it is feared that it may encourage local bar associations to take action in the Courts to enforce it.

The comment goes on to say that it is common sense that lawyers and C.P.A.s should co-operate in the interests of common clients. Exclusively legal questions should be handled by lawyers, but pension and profit-sharing plans are a good example of matters which arise from legislation but which involve many considerations not exclusively legal in character. C.P.A.s may well be the first to get their clients interested in such plans, but lawyers are always brought in for their development and completion.

Why, asks the *Journal*, was this matter not discussed by the National Conference of Lawyers and C.P.A.s before issuance of the statement by the Bar Committee?

SOUTH AFRICA

Budget Proposals

IN what he described as 'a Budget of national security', the Minister of Finance, Dr T. E. Dönges has asked for a defence vote of nearly £60 million – over 60 per cent more than last year. To pay for this and other items he proposes increased taxes on beer, wines, spirits, petrol and diesel oil, and import durties on certain non-essential goods. He also proposed to abolish the discount of 10 per cent of the normal tax payable by individuals, and the discount of 3 per cent of the tax (other than the provincial portion) payable by companies.

The Minister pointed out that the rate of income tax, both for individuals and for companies, had remained basically unchanged for the past ten years. Moreover, in the year ahead, he must provide for the repayment of the 1957–58 savings levy, the cost of which was greater than the yield from the withdrawal of discounts. After taking into account a surplus of £2½ million from last year, the revenue account for 1962–63 would show neither surplus nor deficit.

Concessions include an extension of investment allowances to cover the introduction of new machinery or equipment up to June 30th, 1965 and to new buildings which are commenced by that date up to one year later. He also announced that to encourage the export drive, exporters who increased their turnover would be granted special tax allowances in respect of expenditure (other than capital) incurred in the development of export markets.

Gold and foreign exchange reserves, now standing at over £150 million, had shown a spectacular recovery from the figure of £71 million in June 1961. This was due to reductions in imports and the outflow of private capital, and to improvements in exports and gold production. While it was not yet possible to abolish exchange controls, the Minister proposed to relax control over 'blocked Rand' by permitting holders to subscribe to a special issue of five-year non-negotiable 5 per cent Government bonds. These would be repayable in five annual instalments which would be freely transferable in foreign currencies on the expiry of each instalment.

INDIA

Indian Institute's New Committee

THE growth of business, the decentralization of management and the adoption of modern business methods which necessitate specialization in some form or other by the accountant have resulted in the setting up by the Institute of Chartered Accountants of India, of a Professional Development Committee.

The new committee will determine the extent to which the knowledge of members as regards these developments requires to be supplemented by research and various courses of training. Matters which will receive special consideration are:

(i) To define the objectives of the accounting profession;
(ii) To lay down the accounting postulates and principles, having regard to the changes that have occurred in the conditions under which business nowadays is being conducted;
(iii) To determine the extent to which auditing procedures were required to be enlarged having regard to changes in different laws, and in the climate of public opinion;
(iv) To determine the manner and form in which guidance should be provided to members in regard to professional matters;
(v) To consider the different ways in which the profession could assist and help the Government in the promotion of its plans and programmes;
(vi) To lay down the standards of professional conduct and competence in different fields of professional activity;
(vii) To determine what programmes of development should be carried out at the different levels i.e., the Council of the Institute, the Regional Councils and members generally, and to lay down targets in this regard for the next three years.

The committee, which is comprised of nine members, is under the chairmanship of Shri S. N. Desai, F.C.A., President of the Institute of Chartered Accountants of India. It will be the responsibility of the committee to draw up the necessary programmes and to watch over and guide their progress.

Weekly Notes

THE BUDGET ON TELEVISION

THE Institute of Chartered Accountants in England and Wales has granted the use of the Oak Hall in Moorgate Place as a temporary television studio on Budget Day. The Oak Hall will be one of a number of outside broadcast locations in a two-and-a-half-hour programme to be presented on the afternoon of Budget Day by Independent Television News and Associated-Rediffusion. Other locations will include a foreign exchange dealers' room in the City and a shipyard workers' canteen in Sunderland.

In the Oak Hall some thirty representatives of City institutions, including three members of the Council of the Institute – Mr H. A. Benson, C.B.E., F.C.A., Mr D. A. Clarke, LL.B., F.C.A., and Mr J. E. Talbot, F.C.A. – will hear up-to-the-minute reports of the Chancellor's speech, and will be available for interview by Mr Reginald Bosanquet of I.T.N. on the implications of the Budget proposals.

There will also be informed comment from the studio newsroom in Television House, where the guest speakers will be Sir Frederic Hooper and Mr Frank Cousins, general secretary of the Transport and General Workers' Union.

ALMOST BALANCED

THE first of the trio of White Papers which precede the Budget, that on the balance of payments[1], is a good deal more encouraging than was at one time expected. Following overall deficits on the combined current and capital accounts of £384 million and £490 million in the two previous years, the 1961 overall deficit of £62 million is indeed satisfactory. Last week's note in this journal on the balancing item in these accounts, i.e., the net total of errors and omissions needed to balance the trading accounts, is underlined by the fact that for 1961 the balancing item at £81 million exceeds the actual deficit shown in the accounts. The estimates of this item for the two previous years have been revised to £21 million and £306 million. Undoubtedly, the most cheering aspect of the current account is the reduction of the deficit on visible trade account to only £135 million, compared with £391 million in 1960. This is due to an increase of £156 million in visible exports coupled with a reduction of £100 million in visible imports.

A sad feature of the accounts is the continuing decline in the surplus achieved on the invisible trade account. From £219 million in 1959 to £103 million in 1960, it has fallen to a mere £65 million in the past year. The main contributory factor to this disappointing result is the continuing rise in Government outlays overseas. The long-term capital account reflects the continuing increase in foreign investment in the United Kingdom which in 1961 totalled £208 million; in contrast with a reduction from £205 million to £152 million in the total invested by the United Kingdom overseas. A major factor in the improvement on the capital account was the receipt of a number of once-and-for-all payments such as the £131 million in respect of the Ford shares, and repayments of loans from Western Germany and France, plus a small loan from Switzerland, which together contributed a further £90 million.

While any improvement, however modest, in the United Kingdom external position is welcome, the full extent of the problem can only be appreciated by continually bearing in mind the target set by the Treasury of an overall surplus of £450 million. Recent Press comment on the White Paper seems to have overlooked this point.

[1] Cmnd. 1671. H.M.S.O., price 2s 6d.

THE FISCAL YEAR 1961–62

THE fiscal year ended on March 31st with an overall deficit on revenue and expenditure account of £211 million. This was £142 million more than the Budget forecast last April. The source of the deficit is on the expenditure and not on the revenue side.

Total receipts were £140 million higher than estimated. Expenditure increased by £282 million. There was a surplus of £410 million 'above the line' which was £96 million less than originally expected, but the shortfall of £621 million 'below the line' was £46 million higher than was forecast.

Ordinary revenue totalled £6,646 million and ordinary expenditure was £6,235 million. Income tax receipts were close to estimate but surtax and death duties both exceeded the Budget estimate and so did Customs and Excise receipts. The increase of 10 per cent in purchase tax last July was expected to produce an additional £130 million but receipts were well below expectation.

On the expenditure side there was an overall rise in ordinary expenditure on the supply services and the cost of servicing national debt increased significantly owing to the prevalent high level of interest rates.

MOVEMENTS OF PRIVATE CAPITAL

ACCORDING to the *Bulletin for Industry* for March, put out by the Information Division of the Treasury, the outflow of private investment from this country has averaged nearly £350 million a year in the last three years. Over the same period the inflow of private investment has increased from less than £200 million in 1959 to over £400 million in 1961. This last figure is, however, swollen by the large Ford transaction last year which accounted for £130 million. The net flow over the last three years

has thus changed substantially on private capital account. There was a net outflow of £146 million in 1959, a net outflow of £99 million in 1960 and a net inflow of £49 million which would have been a net outflow of £81 million last year but for the Ford deal.

Taking the long-term capital account as a whole, the balance changed from a net outflow of £499 million to a net inflow of £8 million over the last three years. The big change has thus been helped by the decline in the outflow of funds from Government and other official sources. The big increase in investment from abroad partly reflects the growth of overseas investment by the United States. Another factor is the high level of economic activity in Britain and the comparatively high level of interest rates in this country since the middle 1950s has also probably played a part. In the early 1950s much of the outward flow of private capital was to the sterling area countries. More recently the rapid rate of growth of the European Common Market has attracted United Kingdom investment. Most of the outward flow of private investment is direct and not portfolio investment. Portfolio in non-sterling securities is allowed only through the medium of the switch markets.

BRITAIN INTO EUROPE?

SINCE the discussions concerning the basis for Britain's entry into the European Economic Community have not yet reached the stage when specific proposals may be laid before the public, the latest pamphlet from the Institute of Economic Affairs on the *United Kingdom Commonwealth and Common Market*[1] hardly adds to the sum of information already available in the flood of published material of recent years. However, the authority of its author, Professor James Meade, should ensure a wide readership for this particular contribution to the debate if only because of his fuller treatment of the economic issues, in particular agriculture. Professor Meade's thesis is that, as long as Britain is assured that the E.E.C. will be liberal in its outlook and trading policies, she should join. The implication of this argument is that if certain leaders in the E.E.C. still have visions of Europe as *la troisième force* in world politics, then it is likely that their economic policies may suffer.

On the issue of British agriculture, Professor Meade points out that the concern should be primarily for the domestic consumer, since E.E.C. food prices are high enough to give British farmers a living, although British horticulture would sustain very severe competition. Much more serious is the problem of the Commonwealth primary producer who, at present, enjoys preference in the United Kingdom market. Professor Meade does not believe that the present *ad hoc* proposals put forward to meet this problem are adequate. In his opinion, because of the potential food surpluses throughout the world, an agreement with all other primary producers is necessary. This will necessitate co-operation on a world basis and in this context Professor Meade is at pains to stress that American co-operation would be endangered if the E.E.C. is too 'inward-looking' in its economic policies.

Professor Meade proposes that there should be flexible exchange rates, while support for any individual currency should be available from a joint use of member countries' reserves. This is a highly debatable argument, not least in view of Britain's post-war economic record. If agreement on these issues is not possible, then in Professor Meade's opinion Britain should remain outside the E.E.C. for the time being, concentrating its efforts to achieve a general reduction of trade barriers within the North Atlantic union.

[1] Hobart Paper No. 17. Price 5s net.

NEW STYLE P11D FORM

AN employer has to make a return by May 5th of expenses, payments and benefits provided by him in the preceding income tax year for directors or for employees whose remuneration (including benefits) is £2,000 or more per annum. The Inland Revenue provide a special form for this purpose, for each individual director or employee concerned, designated form P11D. For the years up to April 1961, P11D was a very modest form indeed, measuring some eight inches by four and containing no reference to such unpleasant matters as penalties for failing to make a return, or making an incorrect one.

The new form P11D, issued for the purpose of returns for the year ended April 5th, 1962, is a much more formidable document, taking up seven or eight times the space of the old one, and containing a very prominent reminder of penalties. There is an extensive list of the kind of benefits which may be provided, including holidays, sporting facilities, private medical treatment, education of the individual's family, etc., entertainment, and expenses of private domestic staff. It follows that an employer who conveniently forgets some of the advantages enjoyed by its principal director will find it less easy to explain away any omissions.

TWO FARMS, ONE TRADE

WHEN the Legislature made farming profits chargeable to tax as trading profits in 1941, difficulties were foreseen as to the place of assessment where the farm was scattered or lay in two separate income tax parishes. Accordingly it was provided that (Finance Act, 1941, section 10 (3)):

> 'All the farming carried on by any particular person or partnership or body of persons shall be treated as one trade, and he or they shall be assessable and chargeable in respect of the profits or gains thereof in any of the parishes in which any part of his or their farmland is situated:
>
> 'Provided that nothing in this subsection shall limit any right to make any assessment and charge in the place of ordinary residence.'

When this provision was substantially repeated in section 152 of the Income Tax Act, 1952, it was

accompanied by a side-note saying 'Special provision as to place of assessment etc. in the case of farming'.

The Revenue have for long argued that section 152 did not entitle a farmer to take it at its face value, but Mr Justice Wilberforce has now held that the Revenue were wrong in this (*Bispham v. Eardistan Farming Co (1919) Ltd*).

From 1919 to May 3rd, 1956, the company farmed land in Worcestershire and incurred losses. From January 31st, 1956, it farmed land in Scotland at a profit. It claimed to bring forward large amounts of losses and capital allowances, relating to the Worcestershire land, to set off against the Scottish profits, relying on the plain words of section 152 to establish that there was one single and continuous trade. The Revenue resisted the claim on the ground that section 152 was to be given a special and limited meaning, which did not include making one trade out of two. It merely dealt with the place where the assessment was to be made and that for this purpose, and this purpose only, section 152 allowed the Revenue to treat all farming, carried on by the same person and at the same time, as one trade. The Revenue argued also that to give the section the meaning which the company contended would be to confer an advantage on farmers as against other taxpayers.

His lordship said that there was no onus on the taxpayer to furnish reasons why he should be treated differently from other taxpayers. The section gave rise to no absurdity and it was of value to the Revenue as well as to the taxpayer. Any limitation of the scope of the section as suggested by the Revenue could only apply if the section expressly so provided.

A TAX FORUM?

THE appearance of a 400-page volume of proceedings of the 1961 conference of the Canadian Tax Foundation is a reminder of the remarkable success of this body since its establishment in 1945. Its purpose is to serve as an independent tax research organization, governed by a board of members nominated by the Canadian Bar Association and the Canadian Institute of Chartered Accountants. Its present membership comprises nearly 4,000 individuals and corporate bodies. Its annual conference is well attended; there were over 1,000 members this year to hear the sixty-four papers on topics of direct concern and interest to the tax practitioner. The conference reports apart, the steady flow of published material of high quality is especially impressive. The Foundation's own staff produce a bi-monthly journal as well as a series of papers and notices on particular fiscal topics such as the Budget, municipal taxation and summaries of Commonwealth and foreign tax systems. Some of these publications are substantial pieces of research as, for example, the third edition of Mr J. Harvey Perry's study of *Taxation in Canada* which has recently appeared.

Apart from the work of its own staff, the Foundation commissions external experts to prepare special reports on particular topics and, at the same time, has sponsored research at Canadian universities. The first two fiscal theses from this particular source are especially good; they are *Business Financing and Taxation Policies*, by C. F. Owen, and *Erosion of the Personal Income Tax Base in Canada and the U.S.A.*, by I. J. Goffman. Apart from this published material, the Foundation supplies speakers for conferences and meetings all over Canada. The success of this organization prompts the thought as to whether, despite the excellent work done in the tax field by various professional bodies in the United Kingdom, still more might be achieved by such a specialist foundation.

NOT REALLY PRIVATE

ACCOUNTANTS whose custom it is to make general use of envelopes printed with the word 'Private' or 'Confidential' may be interested in the following which is reproduced from the latest issue of *The Stock Exchange Journal* (Winter 1961–62).

Company Announcements

'Cases sometimes arise in which registrars and secretaries of companies in accordance with their undertakings transmit to the Stock Exchange important information meant for general publication in envelopes marked 'Private', notwithstanding the fact that the letter containing the information must for obvious reasons not be so marked. Such information might for example be the date of a board meeting at which the declaration or recommendation of a dividend is to be considered.

'This practice may result in delay in the opening of such letters and in the communication of their contents to the House and the general public. It is hoped that those concerned will see that in future such information is not sent in envelopes marked "Private".'

It might perhaps be added that the Stock Exchange is not the only place where the use of such envelopes for non-confidential matter can occasion delay. It is not unknown for a notice sent for publication in *The Accountant* to miss an issue, because the envelope printed 'Private' has been reserved for the personal attention of the editor.

IRISH EXPORT EXPANSION

THE trade statistics of Ireland for the year 1961 show that the Irish Government's policy of encouraging foreign manufacturers to establish factories in the Republic is certainly resulting in a marked expansion of exports. Over the ten years 1952 to 1961 total exports have increased by nearly 80 per cent from £101·6 million in 1952 to £180·3 million in 1961. Over half this increase has occurred in the last three years, since in 1959 the figure was only £130·6 million.

Of the total exports in 1961 31 per cent consisted

of live animals, 35 per cent of food, drink and tobacco and 26 per cent of other raw materials and manufactured goods; in 1952 the corresponding figures were 32 per cent, 50 per cent and 13 per cent (the balance in each year consisting of re-exports). However, there was some decline in the rate of expansion of exports of 'other raw materials and manufactured goods' in 1961, the total rising by only 6 6 per cent compared with a rise of 18 per cent for exports as a whole. This partial return to the former balance between agricultural and industrial exports will be welcomed by Irish farmers who have argued for some time that if the money spent on encouraging industrial development had been spent on agriculture, the results achieved would have been even more impressive. In practice, however, as has happened in other countries, industrial growth, by drawing agricultural labour from the land, is no doubt forcing greater mechanization and efficiency on the farmers.

The main categories of manufactured goods exported are textiles, clothing and footwear, and cutlery, hardware, implements and machinery which together totalled £23·4 million or nearly twice the total exports of other raw materials and manufactured goods ten years ago.

This is My Life . . .

by An Industrious Accountant

CHAPTER 118

WE really only fully appreciate the advance of the profession in the last half-century when we check on the outlook of an earlier age. I had an insight into this evolution recently, when I found a popular encyclopedia of 1913 tucked away in the recesses of my bookshelves. The present generation, as I find from inquiries, has little knowledge of this highly useful book of reference, and less appreciation of the prestige and influence it earned for itself in the early part of the century.

My volume is an impressive edition of 1,070 pages, lavishly furnished with full-colour paintings and maps. In fact, it had everything that its era could ask. Starting with an ample English dictionary, there follows a section of general information treating some 6,000 different subjects; then comes a biographical dictionary of prominent people, past and present. It was here, as I perused, that I became conscious of something missing. There were royalties and saints, politicians and generals, authors and actresses . . . even a sprinkling of outstanding industrialists . . . but no accountants.

I went through a mixed compendium of English monarchs (starting with Egbert), London clubs, Atlantic steamers, classical quotations, sports records. Then came a world gazetteer and atlas, and a chronological list of events starting at 2234 B.C. in Chaldea. Nineteen hundred and eight was fascinating. It recorded mutinies, assassinations, legal verdicts, royal visits, naval disasters, but no Company Consolidation Act. Nineteen hundred and twelve was full of provocative abbreviations, but no reference to Finance Acts or cost-of-living indices. It gave way to long sections devoted to gardening, poultry, cookery, health, sports, toilet, the nursery. . . .

But what was this? On page 903 commenced the dictionary of business, the opening illustration of which had something nostalgic about it. The silver-moustached boss at the table littered with ancient telephone, lamp, baskets, etc.; the deferential dark-coated clerk standing with a sheaf of papers, the safe and the rolltop desk against the wall. Then came twenty pages of commercial terms . . . acceptance, actuary, allonge . . . yes, and even a few short lines about accountants, including 'there is nothing to prevent anyone setting up as an accountant'. The auditor is put in his place gently but firmly in the twelve lines he receives, thus:

> 'It is no part of his duty, however, to criticize the actions of principals, or to concern himself with the prudence or imprudence of the transactions disclosed by the books. His chief duty is to ascertain the true financial position of the business and get out a balance sheet in which this is accurately set forth.'

Shades of the *Royal Mail* case! At least we've broken out of that ancient straight-jacket.

The remaining definitions follow a trend of general trading, legal and stock exchange custom such as . . . making-up price, mandamus, manifest . . . there is little of accounting as such. Nothing appears under taxation or surtax. Income tax is dismissed tersely with

> 'the personal impost charged on the income of individuals, first imposed by Pitt in 1798, to meet the heavy cost of the war with France'.

Business taxation clearly was unimportant.

The book soon shakes free of such sordid trade trivialities and gallops off gaily to photography, motoring, and pets, for seventy pages. So much for the comparative values of work and play. It's rather amusing to look back on our progress since those far-off golden days . . . I haven't seen a modern edition. I wonder what coverage we now enjoy; I must look it up some time.

Finance and Commerce

Ilford

COMPANY accounts have an added interest, of course, when the peruser is acquainted with the company, and many readers – especially those with an interest in photography – will know the name of Ilford Ltd, whose accounts provide this week's reprint. Ilford have a close association with Imperial Chemical Industries. In collaboration with I.C.I., the Ilfocolor roll film for amateur colour photography has been developed, and in its research work Ilford has the very valuable assistance of the Dyestuffs Division of I.C.I. The association further extends to a holding by I.C.I. of the 20 million 5*s* Ordinary shares of Ilford.

Two calls on these shares on April 1st and October 31st in the year under review made them fully paid, bringing the issued ordinary capital up by £640,000 to £5 million and the share premium account by £1,280,000 to £3,200,000.

As one of the conditions for granting a quotation for the shares, the Stock Exchange asked for an amendment to the article of association relating to borrowing powers. While it is not, perhaps, unusual for amendment of a 'borrowing' article to be effected to comply with a stock exchange requirement, shareholders are generally told that it is purely a formal matter. And the resolution goes through without anyone questioning the whys and wherefores.

Borrowing Powers

Ilford shareholders, however, are taken below the surface. Under the existing article, which is one in common use, Mr J. P. Philipps, the chairman, points out in his statement with the accounts the board may not, without the consent of a general meeting, borrow money which will make the aggregate of the company's and its subsidiaries' borrowings exceed the company's issued share capital.

Ilford has been informed, however, states the chairman, that the solicitors to the London Stock Exchange have advised that if the company itself borrows no money, but all the borrowing is done by its subsidiaries, this restriction would not be operative.

Alteration of the article is therefore proposed 'so that the board must exercise all rights of control over its subsidiaries with the intention of securing that the aggregate amounts of borrowing by the company and its subsidiaries outstanding at any time shall not, without the previous consent of a general meeting, exceed the aggregate of the company's issued share capital and the consolidated capital and revenue reserves' as shown in the last consolidated balance sheet but subject to certain adjustments and exclusions.

ILFORD LIMITED

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Fixed Assets and Trade Investments	2,112,204	2,375,398	2,797,758	3,078,319	3,476,230	4,050,879	4,579,138	5,728,284	6,523,809	8,617,053	9,655,434	10,384,926
Depreciation	533,881	606,480	696,725	796,296	908,259	1,039,902	1,187,726	1,454,940	1,672,189	1,887,468	2,081,968	2,357,358
	1,578,323	1,768,918	2,101,033	2,282,023	2,567,971	3,010,977	3,391,412	4,273,344	4,851,620	6,729,585	7,573,466	8,027,091
Current Assets less Current Liabilities	3,264,183	3,563,734	3,605,546	3,954,276	4,133,179	4,088,999	4,216,546	3,945,057	4,951,881	3,568,627	5,320,141	7,028,867
Capital Employed	4,842,506	5,332,652	5,706,579	6,236,299	6,701,150	7,099,976	7,607,958	8,218,401	9,803,501	10,298,212	12,893,607	15,055,958
Nominal Value of Preference Shares	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000	190,000
Interests of Outside Shareholders of Subsidiary Companies	17,148	23,576	24,166	22,921	23,257	22,840	23,407	24,724	25,232	25,556	17,850	30,147
Future Taxation	431,335	506,503	506,173	672,389	712,246	640,402	624,887	659,935	583,440	472,225	390,134	283,621
	638,483	720,079	720,339	885,310	925,503	853,242	838,294	874,659	798,672	687,781	597,984	503,768
Ordinary Shareholders' Funds	4,204,023	4,612,573	4,986,240	5,350,989	5,775,647	6,246,734	6,769,664	7,343,742	9,004,829	9,610,431	12,295,623	14,552,190
Nominal Amount of Ordinary Capital	1,133,333	*2,266,666	2,266,666	2,266,666	†3,400,000	3,400,000	3,400,000	3,400,000	3,720,000	3,720,000	4,360,000	5,000,000

* after 1 for 1 share bonus

† after 1 for 2 share bonus

ILFORD LIMITED
and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st October, 1961

	1961 £	1960 £
I. Trading Profit of the Group	1,122,969	1,375,844
II. Dividends and Interest	181,376	153,878
Group Profit before taxation	1,304,345	1,529,722
III. Taxation thereon	561,143	642,908
IV. Group Profit after taxation	743,202	886,814
Deduct		
V. Amount attributable to Shares in Subsidiaries held outside the Group	168	738
	743,034	886,076
VI. Tax overprovided in previous years	3,433	52,287
	746,467	938,363
Deduct		
VII. Profit retained by Subsidiaries	94,146	134,557
Profit dealt with in the accounts of Ilford Limited	652,321	673,806
VIII. Balance brought forward from the previous year	231,317	197,531
Available for appropriation	883,638	1,071,337
Deduct		
IX. Transfer to General Reserve	150,000	400,000
	733,638	671,337
Deduct		
X. Dividends paid or recommended, less tax	494,329	440,020
Balance carried forward—Ilford Limited	239,309	231,317
Balance carried forward—Subsidiaries	319,060	233,061
Balance carried forward—Group	558,369	464,378

The Notes appearing [in the next column] form part of these Accounts.

ILFORD LIMITED
and Subsidiary Companies

NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1961 £	1960 £
I. Trading Profit has been arrived at before charging United Kingdom taxation on profits but after taking the following into account:		
Charges and provisions for:		
Depreciation (See Note 1, Schedule C, on page [418])	469,714	338,571
Directors' Emoluments:		
Fees	5,250	5,563
Remuneration for services and contributions paid by the Company under assisted Pension and Life Assurance Schemes	65,682	63,101
Pensions of past Directors	1,688	25,851
Audit fees—Ilford Limited	2,500	2,500
Subsidiaries	5,952	4,953
	550,786	440,539
II. Dividends and Interest arise from:		
Investments in and loans to Associated Companies	154,864	125,962
Other Investments and Receivable Interest	26,512	37,916
	181,376	163,878
III. Taxation—United Kingdom Taxation on profits for the year		
Income tax:		
1962/63 including tax deducted at source	454,270	537,707
Transfer to Taxation Equalisation Reserve	63,000	111,500
Profits tax	149,373	164,681
	666,643	813,888
Less Relief for Investment Allowances	105,500	170,980
	561,143	642,908
X. Dividends paid or recommended, less tax, on:		
6 per cent Cumulative Preference Shares	6,983	6,983
Ordinary Shares:		
5 per cent Interim Dividend already paid (1960–5%)	139,242	123,725
12½ per cent Final Dividend as recommended (1960–12½%)	348,104	309,312
	494,329	440,020

ILFORD LIMITED
and Subsidiary Companies

CONSOLIDATED BALANCE SHEET
31st October, 1961

	1961 £	1960 £
Capital Employed		
I. Issued Capital	5,190,000	4,750,000
II. Capital Reserve—Share Premium Account	3,200,000	1,720,000
III. Revenue Reserves	6,352,190	6,115,623
	14,742,190	12,585,623
IV. United Kingdom Income Tax, 1962/63	283,621	390,134
V. Outside Shareholders' interests in Subsidiaries' Capital and Reserves	30,147	17,850
	15,055,958	12,993,607
Employment of Capital		
VI. Current Assets		
Stocks at cost or under	5,099,066	4,338,494
Debtors and prepaid charges, less provisions	3,190,958	2,590,827
Loans to Associated Companies, less amount written off	27,245	37,361
British Government securities at cost	—	50,174
Tax Reserve Certificates	178,125	148,000
Cash at Bankers and in hand	1,170,724	189,381
	9,666,118	8,354,237
VII. Current Liabilities		
Bank overdrafts, secured	64,255	24,995
Creditors and accrued charges	1,599,423	1,554,726
Taxation	621,978	741,572
Dividends proposed and accrued, less tax	351,595	312,803
	2,637,251	2,734,096
Net Current Assets	7,028,867	5,620,141
VIII. Fixed Assets	7,642,090	7,388,465
IX. Trade Investments in Associated Companies at cost or under	385,001	385,001
	15,055,958	12,393,607

J. P. PHILIPPS
RUPERT WITHERS } *Directors*

F. O'S. W. HUTCHINSON, *Secretary*

The Notes [in the next column] and the Schedules on page [418] form part of these Accounts.

ILFORD LIMITED
and Subsidiary Companies

NOTES TO CONSOLIDATED BALANCE SHEET
31st October, 1961

I. Details of Share Capital are given in Schedule A on page [418]

III. Details of Revenue Reserves are given in Schedule B on page [418]

	1961 £	1960 £
VI. British Government Securities		
Cost	—	50,174
Market Value	—	49,649
VII. Dividends, less Tax:		
6 per cent Cumulative Preference Shares accrued	3,491	3,491
Ordinary Shares—12½ per cent Final Dividend as recommended	348,104	309,312
	351,595	312,803

VIII. Details of Fixed Assets are given in Schedule C on page [418]

Additional Notes

	1961 £	1960 £
1. The total estimated contractual commitments for capital expenditure amounted to	277,000	394,000

2. Market rates at 31st October, 1961, have been used throughout these accounts in the conversion of currencies.

These are set out in the resolution and consist mainly of the inclusion of capital issued since last balance sheet date, and exclusion of sums set aside for future taxation and of amounts attributable to minority interests.

Latest Trend

The Ilford accounts themselves are presented in revised form. Directing shareholders' attention to the new form, Mr Philipps says that this has been adopted so that the accounts should 'accord with the latest trend'. They have also included photographs illustrating some of the uses of the company's materials. Photographs are, of course, the alpha and omega of the company's business.

Profits, it will be seen, were under pressure during the year. Turnover was up, but unfortunately the latest trends are not followed by the company to the extent of stating exactly what turnover amounted to. Whatever it was, the increase was insufficient to offset increases in manufacturing and overhead expenses, including substantially increased research expenditure, heavier depreciation charges and 'unforeseen delays in getting into production with our new range of colour products'.

More than half the reduction of £235,000 in group profits before tax, it may be noted, was due to the increase of £131,000 in depreciation. If all goes well with the new colour products, and if the cost rise can be contained, the current year should show improved earnings.

Realms of Silver

In his statement, the chairman also translates the decision of the United States to suspend sales from Government stocks of silver into terms of prices for photographic film. While this American decision last November resulted in a 10 per cent jump in the price of silver, Mr Philipps says it is still too early to know whether the higher price will bring out more of the metal from Government and private hoards in other parts of the world, or whether Ilford will have to get used to paying an increased price for what, in the form of silver nitrate, is one of the company's most important raw materials.

A higher price, he considers, would be a serious blow to the whole photographic trade at a time when the Ilford company itself is 'doing everything possible to reduce the cost of photography for both the amateur and professional'.

ILFORD LIMITED

SCHEDULES TO AND FORMING PART OF THE BALANCE SHEETS

31st October, 1961

	1961 £	*1960 £*
SCHEDULE A. Share Capital of Ilford Limited:		
Preferential Capital—Authorised and Issued: 190,000 6 per cent Cumulative Preference Shares of £1 each	190,000	*190,000*
Ordinary Capital—Authorised: 22,000,000 Ordinary Shares of 5s. each £5,500,000 *£5,500,000*		
Ordinary Capital—Issued: 20,000,000 Ordinary Shares of 5s. each, fully paid	5,000,000	*4,360,000*
Total Issued Capital	5,190,000	*4,550,000*
SCHEDULE B. Revenue Reserves		
General	3,800,000	*3,650,000*
Contingencies (See Note 1)	1,309,224	*1,254,245*
Taxation Equalisation (See Note 2)	610,000	*547,000*
Supplementary Pensions (See Note 3)	74,597	*100,000*
Unappropriated Profit of Ilford Limited	239,309	*231,317*
Per Ilford Limited Balance Sheet	6,033,130	*5,782,562*
Unappropriated Profit Retained in Subsidiaries	319,060	*233,061*
Per Consolidated Balance Sheet	6,352,190	*6,015,623*

Note 1. Contingencies Reserve		1961 £ / *1960*
Balance 31st October, 1960		1,254,245
Add Surplus on disposal of Fixed Assets	48,405	
Surplus on liquidation of Subsidiary Company	6,346	
Profit on realisation of Investment	288	
		54,979
Balance 31st October, 1961		1,309,224

Note 2. Taxation Equalisation Reserve	
Balance 31st October, 1960	547,000
Add Transfer from Profit and Loss account	63,000
Balance 31st October, 1961	610,000

The Taxation Equalisation Reserve represents income tax on the excess of initial and annual allowances granted for income tax purposes over depreciation charged in the accounts.

Note 3. Supplementary Pensions Reserve		
Balance 31st October, 1960		100,000
Less Cost of Supplementary Pensions during year	53,903	
Less Taxation relief thereon	28,500	
		25,403
Balance 31st October, 1961		74,597

SCHEDULE C. Fixed Assets

		At 1934 Valuation and Net Additions at Cost	Accumulated Depreciation	Net Book Value
		£	£	£
Ilford Limited Balance Sheet	1961	3,824,059	398,823	3,425,236
Freehold and Leasehold Land and Buildings	*1960*	*3,739,274*	*378,399*	*3,360,875*
Machinery, Plant, Motor Vehicles and Furniture and Fittings	1961	5,027,974	1,598,726	3,429,248
	1960	*4,371,726*	*1,335,773*	*3,035,953*
		8,852,033	1,997,549	6,854,484
		8,111,000	*1,714,172*	*6,396,828*
The Consolidated Balance Sheet				
Freehold and Leasehold Land and Buildings	1961	4,065,239	426,329	3,638,910
	1960	*4,015,410*	*435,425*	*3,579,985*
Machinery, Plant, Motor Vehicles and Furniture and Fittings	1961	5,796,815	1,931,506	3,865,309
	1960	*5,087,227*	*1,646,543*	*3,440,684*
		9,862,054	2,357,835	7,504,219
		9,102,637	*2,081,968*	*7,020,669*
Goodwill at Cost, Less Amounts Written Off	1961			137,871
	1960			*167,796*
				7,642,090
				7,188,465

Note 1. Depreciation.

An alteration in the basis of provision for the depreciation of fixed assets of compared with the previous year has resulted in an increased charge as £39,520 in the accounts for the year under review.

Stock Exchange Statistics

THE London Stock Exchange's annual analysis of the market value and interest on quoted securities[1] shows an increase of almost £1,200 million to £33,242 million in the value of all quoted securities in 1961. High interest rates meant a reduction of £500 million in the market value of loan capital and of £100 million in the value of preference capital so that the whole of the overall rise was applicable to ordinary shares.

Interest and dividends on quoted securities at £1,870 million rose by 5·9 per cent, compared with a rise of 14·5 per cent in 1960. It is estimated that not more than £740 million of the total figure found its way into personal disposable income. The balance is accounted for by taxation, the incidence of duplication, in which interest and dividends formed part of the income of companies whose own dividends are included in the total, and the payment of interest and dividends to Government departments and institutional investors.

The increase in ordinary dividends last year at 6 per cent was the smallest annual increase in ten years with the single exception of 1958.

[1] *Interest and Dividends upon Securities Quoted on the Stock Exchange, London, 1961.*

CITY NOTES

THE trend of stock-markets in the approach to the Budget hardly suggests a widely-held opinion that the Chancellor has either the scope or the inclination to be particularly open-handed on Monday.

The current tendency is to look for a holding operation which will leave the Chancellor room for further manoeuvre later in the year. The only certainty in the Budget is the appearance of a capital gains tax about which the City has worked itself into a lather of dread anticipation. Such being so, there appears to be scope for the City to indulge in its familiar exercise of regarding anything that the Budget may bring in capital gains tax terms as 'not as bad as expected'.

If the Budget is a standstill affair there will be considerable danger of last July's restrictions being maintained for too long. It is much easier to restrict than re-expand. There is undoubtedly a case for raising the head of steam in industry. Industrial production, overall, has been static for far too long.

Although Bank rate has come down from 7 per cent to 5 per cent, largely as an external measure, all the other July regulators which were introduced remain in force. While, therefore, the City hopes that the Budget will point to some dismantling of these controls there is doubt as to whether this will be so.

RATES AND PRICES

Closing prices, Wednesday, April 4th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%

Money Rates

Day to day	3⅜–4⅜%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 9/16–4 5/8%
Fine Trade Bills		3 months	4 9/16–4 5/8%
3 months	5¾–6½%	4 months	4 9/16–4 5/8%
4 months	5¾–6½%	6 months	4 9/16–4 11/16%
6 months	6–7%		

Treasury Bills

Jan. 26	£5 4*s* 10·06*d*%	Mar. 2	£5 10*s* 11·26*d*%
Feb. 2	£5 4*s* 4·93*d*%	Mar. 9	£5 0*s* 5·89*d*%
Feb. 9	£5 8*s* 0·74*d*%	Mar. 16	£4 17*s* 7·57*d*%
Feb. 16	£5 9*s* 10·81*d*%	Mar. 23	£4 9*s* 6·47*d*%
Feb. 23	£5 10*s* 7·47*d*%	Mar. 30	£4 8*s* 11·16*d*%

Foreign Exchanges

New York	2·81½–⅝	Frankfurt	11·25–½
Montreal	2·95½–¾	Milan	1748–¼
Amsterdam	10·14½–¾	Oslo	20·04½–05
Brussels	140·13¼–¾	Paris	13·79⅜–⅝
Copenhagen	19·36½–37	Zürich	12·23¼–½

Gilt-edged

As well as the usual prices quoted at the close of business on press day, we also give below the quarter-end prices – a practice which will be followed at the close of each quarter in future.

	March 30th, 1962	*April 4th, 1962*
Consols 4%	62 9/16	62⅜
Consols 2½%	40⅛	40 1/16
Conversion 5% 1974	92 15/16	92 15/16
Conversion 5% 1971	92 1/16	92⅛
Conversion 3½% 1969	85 13/16	85⅞
Conversion 3½%	54⅝	54 7/16
Exchequer 5½% 1966	99⅞	99 15/16
Funding 5½% 82–84	91⅞	91⅞
Funding 4% 60–90	87 13/16xd	87⅛xd
Funding 3½% 99–04	60 15/16	60⅞
Funding 3% 66–68	85⅜	85½
Funding 3% 59–69	82 15/16	82 15/16
Savings 3% 60–70	80	80
Savings 3% 65–75	71 5/16	71⅜
Savings 2½% 64–67	86⅝ xd	86 9/16xd
Treasury 5½% 2008–12	87 13/16	87 13/16
Treasury 5% 86–89	83 11/16	83⅝
Treasury 3½% 77–80	71 7/16	71 7/16
Treasury 3½% 79–81	70¼	70¼
Treasury 2½%	39¾	39⅝
Victory 4%	95½	96
War Loan 3½%	56	55 13/16

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The Expanding Profession

SCOTTISH INSTITUTE'S ANNUAL MEETING

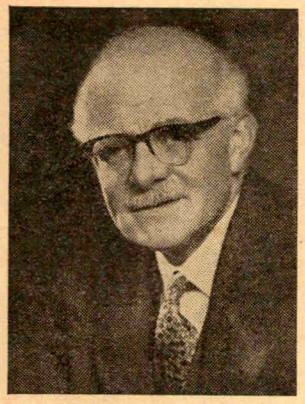
The annual general meeting of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, 27 Queen Street, Edinburgh, on March 28th, with the President, Mr Graham A. Usher M.B.E., T.D., C.A., in the chair.

The admission to the Institute of forty-three new members, whose names are shown at the end of this report, was approved, and following the adoption of the accounts of the Institute for the year 1961 and the annual report of the Council for 1961–62, Mr Usher delivered his presidential address.

President's Address

In the course of his address the President said:

'This has been another very busy year in the history of our Institute and it well bears out the remarks I made when I took office last year when I said that there were many problems to be dealt with and that the responsibilities would be heavy.



'Today I propose to speak firstly about the general development of our profession, including the ever-widening scope of services we supply and the increase in our responsibilities not only to our clients but to the public at large, and secondly I propose to refer to some of the steps which our Institute has taken, and is taking, not only to keep abreast of the present situation, but to keep ahead and to give the lead which for so long has been expected from the Scottish chartered accountant.

'In the early days of our Institute, our immediate aim was to turn out into the world an accountant who was a well educated man and soundly grounded in the main principles of accountancy. After he had qualified it was he, and he alone, who upheld the proud position of Scottish accountancy. He could go almost anywhere throughout the world and set up in practice himself, because you will realize there were no other bodies of accountants in existence at that time. Those good old days when the qualification of C.A. automatically opened all doors have unfortunately largely gone. As time went on accountancy bodies were set up in countries abroad and, of course, in England and Wales as well as in Ireland, and the hand of our members is to be seen in the development of many of them.

'In the United Kingdom our profession is not "closed". Members of the recognized accountancy bodies are eligible for appointment as auditor under the Companies Act, 1948, and although it is not always appreciated, so are accountants from overseas who satisfy the Board of Trade that their qualifications are suitable. I understand that there are in fact over 500 people with overseas qualifications recognized for this purpose.

Existence of Barriers

'In some other countries the position is different: the profession is "closed" and qualification to practise depends on membership of an appropriate accountancy body.

'In many overseas countries our members have rights and privileges equivalent to those which we in this country extend to the 500 overseas accountants to whom I have referred, but in some other countries various barriers nowadays exist to the exercise by our members of full practising rights – indeed, in some countries no recognition at all is given for purposes of qualification to practise to the long and arduous training which our members have undertaken.

'It is obvious that individual members are not in a position to stand up to foreign accountancy bodies or, for that matter, to foreign discriminatory legislation. It was therefore essential that our Institute should come forward in support of the interests of our members, for you must remember that we who practise in Scotland form a minority, though a very important minority, of our Institute, but whether our members are in practice here or abroad or are in commerce or in industry, the Council of the Institute has their future continually before it. In the course of our conversations with overseas institutes, we have naturally got to know many of them well. We must not forget that the accountancy profession likes to look upon itself as an international one and it is as much in the interests of foreign institutes that their members should be able to practise freely throughout the world as it is for our members to do so.

Accountant's New Role

'Turning to some of the services which we render, there is no doubt that the old days are past when the auditor was the watch-dog who merely barked at the end of his chain. The role of the practising accountant has gone far beyond the rather negative one when to a considerable degree it was that of guardian of the interests of others from the unscrupulous, but certainly not from the inefficient. To the private individual, to the smaller businesses, or to the large companies, the accountant is now a great source of guidance on an ever-widening range of subjects. For instance, under the general heading of management accountancy, and this also affects our members employed in industry, the accountant has a great deal to contribute. Too much of this work has been left in the past to firms of management or industrial consultants who can certainly not have the same intimate knowledge of companies as is possessed by those who were acting as auditors of or accountants to the businesses concerned. Is it looking very far ahead to suggest that the roles of auditor and, within certain limits, of management consultant may one day be combined and possibly required by statute? Already in certain Scandinavian countries it is the duty of the auditor not merely to report that the accounts show a true and fair picture, but also to report on the general conduct of the business during the year. I can well imagine certain directors of companies in this country holding up their hands in horror at any such development, but after all is there anything so very radical about it? At present we find industrial consultants and experts in management accounting being called in to make these reports, the only difference being, of course, that their reports, though in greater detail than I envisage here, are made privately to the directors and not disclosed to the shareholders. It seems that the experience in Scandinavia is that it does not cause undue difficulties between auditor and director, because after all there it is a statutory duty to make these reports and further the fact that such reports have to be made does not worry the well-run and efficient company, while it does keep the less efficient company on its toes.

'At this point I would stress the necessity that when you

are dealing with people in commerce and industry, you must keep a sense of proportion. Nothing does more harm to the relations between the profession and the business world than the auditor who insists upon accounts being altered for some relatively minor adjustment of, say, £30 or £40, when in the same accounts there may be items running into tens of thousands of pounds for such things as work in progress, stock, provisions for claims, etc., some of which are bound to have a considerable element of estimation in them

'Our Responsibilities'

'Next I would turn to the question of our responsibilities. For a good many years now solicitors in England have had to produce annual accountant's certificates in relation to their accounts. In Scotland solicitors may in certain circumstances require to produce accountant's certificates to The Law Society of Scotland. Within the last few days, the Council of the London Stock Exchange proposed to require its members to obtain annual reports by accountants on their affairs. We hear of proposals to require estate agents to produce accountant's reports each year. It is, I think, a great tribute to our profession that we should be called upon to undertake responsibilities such as these to safeguard the interests of those engaged in others of our great professions and those whom they serve. Not that it stops there: accountants' reports and certificates are required for many other purposes – even in the realms of chance we are now required to report annually on the accounts of bookmakers in connection with the horse-racing betting levy scheme.

'These, then, are some of the developments which are taking place and I shall now give an outline of the steps which have been taken, and which are being taken by the Institute to deal with them. In order to keep the training of our apprentices up to the highest standards, as you know we reorganized our whole programme and methods a few years ago. We are one of the few professions where a practical apprenticeship still exists and we are convinced that it has many great advantages which we would not be prepared to see disappear. We give our apprentices a training from which they can look at industry from the top downwards. Our apprentices have the opportunities of seeing into a wide and varied range of businesses and industries, instead of, as is the case with so many industrial apprenticeships, only seeing how one particular company works. We realized, however, that part-time study in the evenings was insufficient to cover the great variety of subjects and the theory which has to be learned, nor was it generally possible for an individual master to provide within his own practice the full range of practical experience nor all the theoretical instruction which was essential. We therefore instituted compulsory attendance at a university on a full-time basis for one complete session of three terms and, in addition, at all the main centres we provide Institute classes which give the instruction required by our apprentices during the four years when they are not at the university. Our syllabus tends to get wider as the years go by, and amongst other things the importance of instruction in management accounting and in estate duty is very much before us. Now that a full and wide education is so generally appreciated and more readily available than in the past, I would not be at all surprised to find that in the not too far distant future virtually all young chartered accountants would in fact also be university graduates, having completed a full degree course of three years at a university followed by an apprenticeship of, say, three further years.

'With a view to keeping our Institute well in the lead, we appointed the Special Committee on the Institute's Future Policy. One of the committee's main recommendations and one which we are proposing to accept is that we should now set up a Research Committee to consider the ways and means of keeping in the forefront of accountancy thought. We are satisfied that these days in a rapidly expanding profession such as ours indeed is, there is no room for an Institute which is not prepared to be continually examining and developing all avenues of progress and change in accountancy matters.

Mr Usher concluded his address with a word of appreciation of the assistance and guidance of the Secretary of the Institute and his staff.

OFFICE-BEARERS for 1962–63

As announced in Weekly Notes in last week's issue, Mr James C. Stewart, C.A. (Glasgow), was elected as President and Mr W. L. Milligan, B.A.(CANTAB.), CA., J.P. (Edinburgh), as Vice-President for 1962–63.

Members of the Council for 1962–63 were elected as follows:

Members practising in Scotland: Mr T. S. Aitchison (*Hawick*); Mr J. M. Cowie (*Glasgow*); Mr J. A. Crawford (*Edinburgh*); Mr J. G. W. Davidson (*Aberdeen*); Mr G. D. H. Dewar (*Glasgow*); Mr James R. Gellatly (*Dundee*); Mr John Grant (*Aberdeen*); Mr James Haldane (*Edinburgh*); Mr William Halliday (*Glasgow*); Mr W. D. Johnston (*Elgin*); Mr Robert Kemp (*Glasgow*); Mr Festus Moffat (*Falkirk*); Mr G. C. Patterson (*Edinburgh*); Mr Andrew Rintoul (*Glasgow*); Mr J. M. Ritchie (*Edinburgh*); Mr R. J. Scott (*Glasgow*); and Mr W. Forster Simpson (*Dundee*).

Members practising in the United Kingdom outside Scotland: Mr T. G. B. Matheson (*London*) and Mr W. K. M. Slimmings (*London*).

Two members not in practice: Mr John Black (*London*) and Mr I. W. D. Macdougall (*Glasgow*).

ADMISSIONS TO MEMBERSHIP

Forty-three members were admitted to the Institute as follows:

Adamson, R. A., Glasgow
Anderson, J. W., Aberdeen

Begg, J. C. B., Edinburgh
Birch, R. F., Edinburgh

Cameron, J., Glasgow
Carter, R. H., Glasgow
Charles, P. I., London
Craig, J. D., Edinburgh
Cross, G. N., London
Cunningham, J. B., Dundee

Dawson, N. G., London

Ellis, F., London

Finlayson, G. L., London
Forrest, D. L., Glasgow

Gair, M. M., Glasgow
Gilchrist, I. ., Glasgow
Gouck, R. G S., Dundee
Grant, C., Dundee

Heath, J. D. J., Edinburgh
Hodgson, P., Glasgow
Howat, H. S., Glasgow

Jory, R. P. L., London

Keeley, M. A., Glasgow
Kelly, E., Dundee
Kerr, J. P. A., Glasgow
Kesson, D. F., Glasgow

Laird, D. R., Glasgow
Lambie, J., Glasgow

Marshall, A. ., Glasgow

O'Neill, C. P., Glasgow

Philip, I. G., Edinburgh
Porter, J. B., Newcastle upon Tyne

Qureshi, S., Glasgow

Rankin, H. C. D., Glasgow
Recordon, P. L. W., London
Ritchie, A., Greenock

Shaikh, Y. M., Edinburgh
Shaw, I. D., Edinburgh
Simpson, N. L., Aberdeen
Sproul, R., Glasgow
Stuart, K., Glasgow

Vinestock, D. D., Edinburgh

Waters, P. G., Glasgow

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

DINNER AT COLCHESTER

One of the most important functions of accountants was to stop people like himself from behaving foolishly with money, said Mr J. V. Sheffield, chairman of Norcros Ltd, proposing the toast of 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the East Anglian Society of Chartered Accountants at Colchester on March 30th. And for this function, in his view, they were paid far too little.

Problem of Size

Responding to the toast, the President of the Institute, Mr P. F. Granger, F.C.A., referred to the service which the Institute renders to its members and which, he said, was complicated these days by its size. The Institute membership, said Mr Granger, now stood at over 35,000; of this figure 10,500 were in public practice in the United Kingdom, and another 4,000 were overseas; 18,500 were employed within the profession or in industry. Something like 3,000 articled clerks were registered each year. 'We run up against this problem of size all the time', said Mr Granger, 'and one of our main difficulties is to ensure that we continue to look after the individual.'

Mr Granger referred to the investigation which was being conducted into the needs of small practitioners, which was engaging the attention of the Institute and district societies all over the country. A great deal of work in regard to this had already been done, he said, but there was of course a great deal more to do.

The toast of 'The Guests' was proposed by the Vice-President of the East Anglian Society, Mr A. K. Shepherd, F.C.A., and responses were made by the Mayor of Colchester and by Mr P. C. Benham, M.B.E., T.D.

Mr E. A. Bland, D.S.O., F.C.A., President of the Society, was in the chair, and music was provided during the dinner by the Band of the Staffordshire Regiment.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Lazard Investment Co Ltd *v.* Rae

In the Court of Appeal – March 13th, 1962

(Before the MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice UPJOHN and Lord Justice DIPLOCK)

Income tax – Shares held in overseas company – Distribution by that company of shares in another overseas company – Whether income arising from overseas possessions – Income Tax Act, 1952, Schedule D, Case V.

The appellant company, an investment-holding company, held 2,000 shares in a United States company (Certain-teed), which in turn held shares in another United States company (Bestwall). Both overseas companies were incorporated in Maryland. Up to July 1956, Certain-teed carried on the manufacture and selling of asphalt roofing material and also the manufacture and sale of gypsum and paper products. In that month the gypsum and paper side of the business was transferred to Bestwall in exchange for 715,145 shares in the latter. Certain-teed then decided to distribute these Bestwall shares among its own members, and in August 1956 the appellant company received 666⅔ Bestwall shares in respect of its holding of 2,000 shares in Certain-teed.

The law of Maryland authorized any corporation of that State to declare a 'partial liquidating distribution' to its stockholders, and enabled the distribution to be effected by the transfer of a portion of the assets of the distributing company. The distribution was not to impair the company's stated capital. Certain-teed did not declare a dividend in order to make the distribution in question, and the 666⅔ Bestwall shares was a part of Certain-teed's capital assets.

It was contended on behalf of the respondent that the 666⅔ shares in Bestwall formed a receipt of the appellant company taxable under Case V of Schedule D as income arising from a possession out of the United Kingdom. It was contended on behalf of the appellant that the shares represented a return to the appellant of a part of the capital of Certain-teed, and that the shares were not a taxable receipt. The Special Commissioners decided in favour of the appellant.

Held (reversing the decision of Mr Justice Plowman): The 666⅔ shares in Bestwall did not represent taxable income of the appellant.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Extracts from the Report of the Council for 1961

The following are extracts from the annual report of the Association for the year 1961 to be presented at the fifty-seventh annual general meeting to be held in the Queen Mary Hall, Y.W.C.A. Building, Great Russell Street, London WC1, at 12 noon on Tuesday, April 17th

Council and Committee Meetings

During the year eight Council meetings and 152 committee meetings were held. There were also thirty-four meetings of joint committees, delegations, etc.

Membership

The number of new members admitted during the year was 340; 4 were readmitted, and 185 associates were advanced to fellowship. The membership of the Association at the end of the year was 11,006, consisting of 2,663 fellows and 8,343 associates.

Students and Graduates

The number of students and graduates on the register at December 31st, 1961, was 9,241. During 1961 there were 2,196 new registrations and 7,028 renewals.

Revision of Examination Regulations

Further amendments to the examination regulations were necessitated by important developments in commercial education in Scotland.

In 1959 the Secretary of State appointed the Scottish Technical Education Consultative Council, consisting of representatives of industry, commerce and education, to advise him on the development of vocational further education in Scotland.

That Council reported in March 1961, following which the Secretary of State set up a new body, to be known as the Scottish Council for Commercial Education, to take over the functions of the former National Committee (Scotland) for Commercial Certificates and to be responsible for the development of commercial education in Scotland. The Association is represented on the new council by Mr R. Archbold, of Edinburgh, and the Secretary of the Association is a member of the Professional Studies Committee.

The syllabus of the Senior Commercial Certificate has been revised so as to include, as far as possible, all the non-specialist subjects of professional Intermediate examinations and the Association, in common with other professional bodies represented on the new council, has agreed in principle to the granting of exemption at the Intermediate examination on a subject-for-subject basis to holders of the Senior Commercial Certificate.

A further development in Scotland which becomes effective in 1962 is the introduction of the new Scottish Certificate of Education, which replaces the Scottish Leaving Certificate. The standard of the Scottish Certificate of Education at ordinary grade will be equated to that of the G.C.E. at ordinary level, and the Council of the Association has decided to grant exemption from the Preliminary examination on similar terms.

The Council of the Association has also decided to permit students to prepare for the Intermediate examination by means of a two-year course of full-time study at an approved educational institution. At present this will be optional and students remain free to pursue the more traditional method of preparation by part-time study, if they so prefer. The requirements as to the practical experience necessary for admission to membership remain unchanged.

Association of Chief Financial Officers in the Hospital Service

The Association of Chief Financial Officers in the Hospital Service in England and Wales expressed to the Council a desire to award an annual prize of five guineas to the student in the hospital service who achieved the best performance at the Association's Final examination each year. The Council indicated its appreciation of this suggestion, which it accepted with gratitude. The first award will be made in respect of the year 1961.

Branches and District Societies

The President and Secretary once more had the pleasure of visiting those branches and district societies holding annual dinners, as well as a number of others at which less formal social occasions had been arranged.

So far as concerns district society activities generally, unhappily it cannot be said that the Council's repeated exhortations to members have as yet produced much perceptible effect.

This does not, however, in any way diminish the Council's gratitude to district society officers, some of whom must often feel that they are fighting a losing battle against apathy and indifference. Their efforts are greatly appreciated, as also is the support of those members who realize that their obligations to the Association do not cease with the payment of their annual subscription.

In an effort to improve the position, the London District Society is making an experiment in which some of the larger provincial societies may well be interested. It is intended to organize the outer London area into a number of local centres, if possible with the co-operation of local colleges of commerce. The first such centre has been set up at Bromley and others are proposed at Harrow and Kingston upon Thames. Members interested in assisting and supporting the new centres are asked to communicate with the Honorary Secretary of the London District Society.

Premises

Up to June 1961 the Association enjoyed the benefit of a pre-war lease at 22 Bedford Square. The lease expired at that time and a renewal has since been granted by the trustees of the Bedford estate. This is for a period of ten years only and, it need hardly be said, is at a very considerably increased rental.

It is not possible, however, to regard this as providing any remedy, except in a limited and temporary sense, for the Association's problem of accommodation. The growing activities of the Association and necessary (but so far impracticable) additions to the staff make it impossible to contemplate remaining at 22 Bedford Square for very long without seriously impairing the secretariat's ability to discharge its functions adequately.

Renewed steps are therefore being taken to seek other premises at which it is hoped that the Association will be able to offer both to its members and staff amenities appropriate to its size and standing. In this connection the attention of members is drawn to later paragraphs of this report.

Eighth International Congress of Accountants, 1962

The Eighth International Congress of Accountants will be held at the Waldorf-Astoria, New York, from September 23rd to 27th, 1962. The theme of the congress is 'Auditing and Financial Reporting in the World Economy'. Full details of the programme were published as a supplement to *The Accountants Journal* in June 1961.

The Association is arranging charter flights at a cost of £56 return per person, London–New York–London, for the benefit of members who wish to attend. Further details can be obtained from the Secretary at 22 Bedford Square, London WC1.

European Congress of Accountants, 1963

Following the Seventh International Congress of Accountants in Amsterdam in 1957, Mr Kraayenhof, the President of that congress, took certain steps to ascertain the views of European accountancy bodies generally on the desirability of organizing a European congress of accountants on similar lines to those of international congresses. The question arose because in 1952 and 1957 members of the accountancy bodies in Europe had been able to attend in large numbers at congresses on an international basis, but in 1962 the congress is to be held in New York and it is likely that the next following international congress in 1967 will also be held outside Europe. This means that only a limited number of European accountants will be able to attend an international congress until 1972 at the earliest. For this reason it was felt that there would be great advantage in holding European congresses between international congresses in order to maintain those contacts between accountants in Europe which since the war have grown so rapidly and have proved so beneficial.

Mr Kraayenhof's suggestion received universal approval and from his inquiries it seemed clear that there was a definite and general feeling that it would be particularly appropriate if The Institute of Chartered Accountants of Scotland, the oldest accountancy body in the world, could be persuaded to undertake the organization of the first such congress.

The Scottish Institute was good enough to accept this suggestion and following discussions it has been decided that a European congress will be held in Edinburgh during the week commencing September 8th, 1963. A Congress Policy Committee has been appointed on which the Association is represented by Mr J. E. Harris, and at the first meeting thereof Mr Alexander McKellar, immediate past president of the Institute, was unanimously elected President of the Congress. Mr E. H. V. McDougall was appointed Congress Secretary.

Further information as to congress arrangements will be issued to members from time to time, and it is hoped that the Association will have a strong representation in Edinburgh.

Research

The Technical Research Committee, its sub-committees and panels, held forty meetings during the year.

The Taxation subcommittee continued work on two studies on back duty and double taxation relief and commenced a new study on estate duty. The subcommittee also assisted the Council in the preparation of a memorandum on Revenue procedure for submission to the Select Committee on Estimates, and of a memorandum to the Chancellor of the Exchequer containing suggestions on the Budget and proposals for the simplification of the present taxation system.

The Management Accounting subcommittee continued work on a study dealing with management accounting for the small business. Members of the subcommittee also took a leading part in the week-end school on Management Accounting.

The Electronic Data Processing subcommittee completed work on its third study entitled *Electronic Data Processing III – The Planning and Installation of a Computer*, which was published in April 1961. The subcommittee subsequently commenced work on its fourth study entitled *Electronic Data Processing IV – Management Control and Auditing*, which it is expected will be published in the summer of 1962.

The Universities and the Profession

Changes in the special degree courses at Leeds, London, Manchester and Southampton were approved by the councils of the accountancy bodies represented on the joint standing committee, and details of the revised courses are included in the current issue of the handbook published in September 1961. Copies may be obtained from the Secretary of the Association on request.

A successful conference at Burwalls, the hall of residence of the University of Bristol, from September 22nd to 24th, 1961, was attended by members of the joint standing committee, representatives of the local joint committees and representatives of the universities. A varied programme included sessions dealing with domestic matters and the training methods of the Law Society and the Institute of Chartered Accountants of Scotland, respectively. The final session was devoted to a discussion on the recommendations of the Parker Report. During the domestic session the President of the Association spoke on training schemes in industry approved by the Association . . .

Practising Certificates

Following the special resolution at the last annual general meeting of the Association, steps have been taken to provide all members in practice with practising certificates. All such members should by now have received these, and any who have not should communicate with the Secretary at once.

The Council desires to emphasize that no member of the Association is permitted to engage in public practice whether whole-time or part-time, unless he has first obtained from the Association a certificate authorizing him to practise.

Increase in Membership Subscriptions

In an earlier part of this report reference was made to the renewal of the lease at Bedford Square and to the fact that this does little to remedy the Association's difficulties of accommodation. The Association is the second largest body of accountants in the United Kingdom, with an increasing membership and a growing register of students. It is hardly necessary to remind members of the extent to which the activities of all professional bodies have multiplied over the last decade. Nor are these activities any longer restricted to purely domestic affairs. The present report, for example, will give members some idea of the Association's commitments in this respect, and it would be unrealistic to suppose that they will not increase.

These and other obligations cannot be discharged properly unless the Association has adequate staff and accommodation, and in the Council's view it is essential that the Association's headquarters should be not only adequate to house that staff, but also appropriate to the standing and activities of the Association. Moreover, members themselves are entitled to expect facilities for reference, research and consultation which they cannot at present enjoy.

The Council is always reluctant to suggest an increase in membership subscriptions, but it is perhaps not inappropriate to mention that the current level of those subscriptions is only slightly more than twice that of 1939. Bearing in mind increases in cost of a very much greater extent which affect every conceivable aspect of the Association's work, members will no doubt agree that the increase so far over pre-war rates has been exceedingly modest and that even with the addition now proposed, the percentage increase will still be noticeably below that affecting almost all goods and services. The last increase in membership subscriptions was approved in 1956 and, while in the year under review it has been possible to maintain the surplus at about £5,000, this represents a far greater achievement than the accounts perhaps suggest. The Council accordingly recommends the acceptance of the resolution.

Resignation from the Council

Provost W. Macfarlane Gray, O.B.E., J.P., resigned from the Council with effect from September 13th, 1961.

Provost Macfarlane Gray was admitted to membership of the Corporation of Accountants in 1933, and was already serving as a member of the Council of the Corporation at the time of the merger with the Association in 1939. He continued to serve on the Council of the joint body, and was elected President of the Association in 1954, the Association's Golden Jubilee Year. He presided over the jubilee celebrations with great distinction and was re-elected President for the following year. In 1958 he was elected Provost of the Royal Borough of Stirling and was re-elected for a further term of three years in 1961. In the same year, he was awarded the O.B.E. in recognition of his public services.

The Council has accepted Provost Macfarlane Gray's resignation with great regret and desires to record its appreciation of his outstanding services to the Association over the course of the last twenty years, and to express its sincere good wishes for his future health and happiness and that of Mrs Macfarlane Gray.

WEEK-END SCHOOL AT CAMBRIDGE

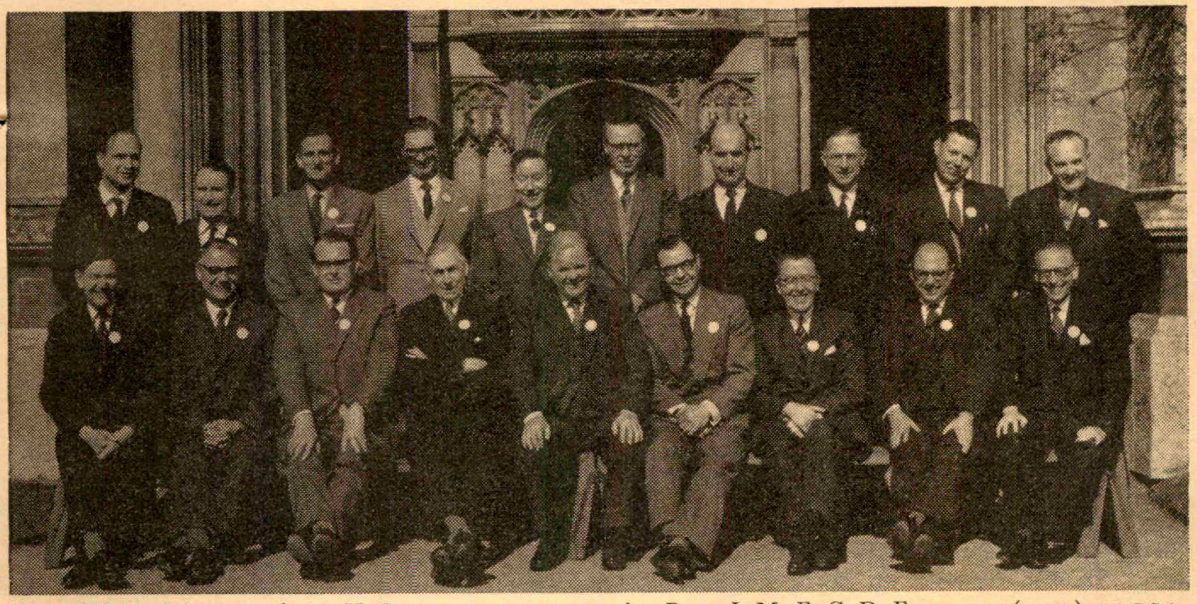
A very successful residential course was held at St John's College, Cambridge, last week-end by The Association of Certified and Corporate Accountants. Nearly one hundred members attended.

The President of the Association, Mr G. L. Barker, F.A.C.C.A., welcomed those attending at an informal sherry party in the Old Music Room on the Friday evening.

There were four business sessions and papers were presented on 'The accountant and the Common Market', by Mr H. Shearing, A.A.C.C.A., principal lecturer, Ealing Technical College; 'Some aspects of management and statutory auditing', by Mr L. A. Hill, A.A.C.C.A., manager, Methods and Procedures Division, Shell International Petroleum Co Ltd; 'The relationship of the accountant to his client and the Inspector of Taxes', by Mr A.W. Nelson, A.A.C.C.A.; and 'Education and training for the profession', by Mr E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A.

Except for the first session which took the form of a general discussion, the pattern of the course followed that adopted in previous years. During the first part of each session those attending dispersed for group discussions. At the conclusion of the discussions and after a break for refreshments, members reassembled in the Debating Chamber of the Cambridge Union Society where the author of the paper, assisted by members of the panel, answered questions submitted by the group leaders.

On the Saturday evening a guest night dinner was held in Hall at which the President of the Association took the chair. Among those present were Mr A. M. P. Brookes, M.A., Junior Bursar, St John's College, Cambridge; Mr J. G. W. Davies, O.B.E., M.A., Secretary, University of Cambridge Appointments Board; Dr N. F. M. Henry, PH.D., Steward, St John's College, Cambridge, and Professor J. R. N. Stone, C.B.E. SC.D., P. D. Leake Professor of Finance and Accounting.



From left to right, seated: Mr H. SHEARING, A.A.C.C.A., *author Paper I;* Mr E. C. D. EVANS, B.SC.(ECON.), F.A.C.C.A., *author Paper IV;* Mr R. STATHAM, C.B.E., J.P., F.A.C.C.A., *member of the Panel Sessions II and III;* Mr E. SPENCER, F.A.C.C.A., *Vice-President of the Association;* Mr G. L. BARKER, F.A.C.C.A., *President of the Association;* Mr J. H. HILLS, F.A.C.C.A., *member of Council and Chairman of Session II;* Mr V. J. OXLEY, B.SC.(ECON.), F.A.C.C.A., *Chairman of the Taxation and Research Committee, Chairman of Session III and member of Panel Session IV;* Mr A. W. NELSON, A.A.C.C.A., *author Paper III;* Mr L. A. HILL, A.A.C.C.A., *author Paper II.* **Standing:** Mr M. G. WRIGHT, B.COM., A.A.C.C.A., *member of the Panel Session II;* Mr C. L. COPE, F.A.C.C.A., *leader of Group D;* Mr D. R. DAWES, A.A.C.C.A., *member of the Panel Session III;* Mr N. R. TRIBBLE, B.SC.(ECON.), A.A.C.C.A., *member of the Panel Session IV;* Mr J. GILLOW, F.A.C.C.A., *leader of Group F;* Mr D. F. GOCH, A.A.C.C.A., *leader of Group B;* Mr J. SPRINGER, F.A.C.C.A., *member of the Panel Session II;* Mr J. C. W. DAY, B.COM., F.A.C.C.A., *leader of Group A;* Mr V. MARLAND, A.A.C.C.A., *leader of Group E;* Mr A. R. W. HILL, A.A.C.C.A., *leader of Group C.*

Notes and Notices

PROFESSIONAL NOTICES

MESSRS C. PERCY BARROWCLIFF & Co, Chartered Accountants, of Middlesbrough, Newcastle upon Tyne, Leeds and Wakefield, announce that Mr WILLIAM LESLIE PAUL STIRLING, A.C.A., was admitted a partner as from April 1st, 1962.

MR ROBERT C. BENNETT, A.C.A., announces that from April 1st, 1962, he has taken into partnership Mr PETER STOPPARD, A.C.A., who has been associated with the firm for eight years. The practice continues to be carried on at Bristol and Chipping Sodbury in the style of ROBERT C. BENNETT & Co.

MESSRS BROWN, FLEMING & MURRAY, London, announce that Mr P. N. G. PRICE, A.C.A., was admitted into partnership on April 1st, 1962.

MR JOHN CLAPTON, F.C.A., of Mitre Chambers, 75 New Street, Salisbury, Wilts, announces that Mr RONALD N. MILLAR, A.C.A., has been admitted into partnership as from April 1st, 1962. The firm's name will be CLAPTON & MILLAR.

MESSRS DAVIE, PARSONS & Co, Chartered Accountants, of 18 Finsbury Circus, London EC2, announce that Mr C. M. WENBORN, A.C.A., has been admitted into partnership as from April 1st, 1962.

MESSRS DAY, SMITH & HUNTER, Chartered Accountants, of Star House, Maidstone, announce that as from April 1st, 1962, Mr DAVID REVELL SMITH, F.C.A., has been admitted as a partner. The style of the firm remains unchanged.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, Chartered Accountants, of London, announce the formation of an associated firm under the same name at 1 King John's Chambers, Bridlesmith Gate, Nottingham. The partners in the associated firm are Mr R. T. M. MCPHAIL, Mr C. ROMER-LEE, Mr D. D. RAE SMITH and Mr S. P. WILKINS of the London firm, and Mr K. A. BUXTON, Mr H. T. SCOTHORNE, Mr T. M. PRAGNELL and Mr J. H. HEWITT of Messrs MELLORS, BASDEN & MELLORS, Chartered Accountants. The latter firm continues to practise at the same address without any change in its constitution.

MESSRS FORRESTER, BOYD & Co, Chartered Accountants, of 26 South St Mary's Gate, Grimsby, announce that as from April 1st, 1962, they have taken into partnership Mr JOHN MARTIN KEILY, F.C.A., who has for a number of years been a local partner in their Louth branch office.

MESSRS HUGHES & ALLEN, Chartered Accountants, of Kingsway House, 103 Kingsway, London WC2, announce the admission of Mr PATRICK VIVIAN LE NEVE FOSTER, A.C.A., as a partner of the firm as from April 1st, 1962.

MESSRS KEENS, SHAY, KEENS & Co, Chartered Accountants, Bilbao House, New Broad Street, London EC2, and branches, announce that Mr ALBERT JOHN PEDLEY, F.C.A., retired from the partnership on March 31st, 1962, and that Messrs PETER PHILIP KEENS, A.C.A., and LAWRENCE ARTHUR WARD JORDAN, A.C.A., who have been members of the staff for some years, were admitted to the partnership on April 1st, 1962.

MESSRS KERSHEN, FAIRFAX & Co, Chartered Accountants, of 26 Dorset Street, Gloucester Place, London W1, announce that Mr MARTIN B. KERSHEN, A.C.A., who has been with the firm since 1954, was admitted as a partner from April 1st, 1962.

MESSRS LAYTON-BENNETT, BILLINGHAM & Co, Chartered Accountants, of 23 Blomfield Street, London Wall, London EC2, announce that Mr ARTHUR PATRICK MILLS, A.C.A., who has been a member of their staff for some years, has been admitted as a partner in the firm as from April 1st, 1962.

NOTICE TO SUBSCRIBERS

New and up-to-date wrapper addressing equipment now installed in the new offices of *The Accountant* in the Strand, London, may also be utilized for other purposes, including subscription renewal notices and readership analysis. Meanwhile the task of cutting and checking the thousands of new address stencils has been a major one for the staff of the subscription department; and the fact that the new equipment has had to be installed and in operation between the publication of two weekly issues was an added complication.

Wrappers addressed by the new system will come into use with next week's issue of *The Accountant*. While every endeavour is being made to avoid inconvenience to readers any subscriber receiving an incorrectly or inadequately addressed wrapper is asked to correct and return it to *The Accountant*, 151 Strand, London WC2, without delay.

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REVALUATION OF ASSETS
WORKS, FACTORIES, PLANT & MACHINERY, Etc.

MESSRS G. A. LEVY & CO, Chartered Accountants, of 120–121 Newgate Street, Holborn, London EC1, announce that Mr MALCOLM JOHN GEE, A.C.A., has been admitted into partnership with effect from April 1st, 1962. The partnership will continue to be carried on in the name of G. A. LEVY & CO.

MESSRS MACLEAN & LINDSAY, Chartered Accountants, of Glasgow, announce that they have joined their practice with Messrs MANN, JUDD, GORDON & CO, Chartered Accountants, Glasgow, in whose name the practice will be continued. Mr DONALD P. LINDSAY, C.A., has been assumed a partner of MANN JUDD GORDON & CO and Mr ANDREW W. MACLEAN, C.A., will be available to act in a consultative capacity.

MESSRS MANN, JUDD, GORDON & CO, Chartered Accountants, of Glasgow, announce that Mr JOHN AITKEN, C.A., Mr WILLIAM HARDIE, C.A., and Mr DONALD P. LINDSAY, C.A., have been assumed partners of the firm.

MESSRS KEITH PATERSON & CO, Chartered Accountants, of 139 Norfolk Street, Sheffield 1, announce the retirement from the firm and from active practice on March 31st, 1962, of Mr KEITH PATERSON, F.C.A. Mr PATERSON has been in practice with the firm for thirty-six years, and has been senior partner since March 1928. He will remain available for consultation by appointment with the continuing partners, Mr HARRY ROBINSON, F.C.A., and Mr ROBERT HEWARD GIBSON, F.C.A. The name of the firm will remain unchanged.

MESSRS PEAT, MARWICK, MITCHELL & CO announce that Mr DONALD BLACK, C.A., retired from the Hong Kong partnership as from March 31st, 1962.

MESSRS RICKARD & CO, Chartered Accountants, of 20 Southampton Place, London WC1, announce that they have opened an office at 187A High Street, Romford.

MESSRS AUSTRAL, RYLEY & CO, Chartered Accountants, of Central Chambers, Bearwood Road, Smethwick 41, Staffs, announce that Mr A. T. PITT, A.C.A., and Mr C. B. RYLEY, A.C.A., have been admitted into partnership as from April 2nd, 1962. The firm's name will remain unchanged.

MESSRS SHELVOKE, PICKERING, JANNEY & CO, Chartered Accountants, of 36 Cannon Street, Birmingham 2, announce that Mr P. R. JANNEY, A.C.A., has been taken into partnership as from April 2nd, 1962. The firm's name will remain unchanged.

MR H. S. SUSSMAN, A.C.A., announces that he has commenced to practise under the style of H. S. SUSSMAN & CO, Chartered Accountants, at 3 Grosvenor Street, London W1, as from April 2nd, 1962.

MESSRS TAYLER, HOUNSFIELD & CO, Chartered Accountants, of Coventry House, South Place, Moorgate, London EC2, announce that as from April 1st, 1962, they have taken into partnership Mr J. G. GOODIN, A.C.A., who has been a member of their staff for some years, after serving his articles with them. The name of the firm will remain unchanged.

MESSRS TEMPLE, GOTHARD & CO, Chartered Accountants, of 7 and 8 Norfolk Street, Strand, London WC2, announce that Mr ROGER C. MUNYARD, A.C.A., has been admitted to the partnership as from April 1st, 1962. The name of the firm remains unchanged.

MESSRS WARNER, BEARMAN & CO, Chartered Accountants, of 16 Wimpole Street, London W1, announce that Mr HAROLD SIDNEY SUSSMAN, A.C.A., retired from the partnership on March 31st, 1962. The style and address of the practice is unchanged.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

President's Luncheon in Liverpool

The President of The Institute of Cost and Works Accountants, Mr F. M. W. Hird, F.C.A., F.C.W.A., gave a luncheon party yesterday (Friday) at the Adelphi Hotel, Liverpool. Those present were:

Lieut-Col P. G. R. Burford, T.D. (*secretary, The Liverpool Chamber of Commerce*); Mr J. B. Charnock, F.C.W.A.; Mr J. M. Kuipers (*manager, Ford Motor Co Ltd, Halewood*); Judge Laski, Q.C. (*Judge of the Crown Court, Recorder of Liverpool*); Mr W. C. Meacock, A.C.W.A.; Mr Bertram Nelson, C.B.E., J.P., F.C.A. (*Vice-President of Council, University of Liverpool*); Mr F. Nuttall, F.C.W.A.; Mr R. T. Rickers, F.C.W.A.; Lieut-Comdr G. K. Rylands, R.N.(RETD.), O.B.E., J.P.; Mr Geoffrey L. Tillotson, J.P. (*chairman, Tillotson & Son Ltd*).

IN PARLIAMENT

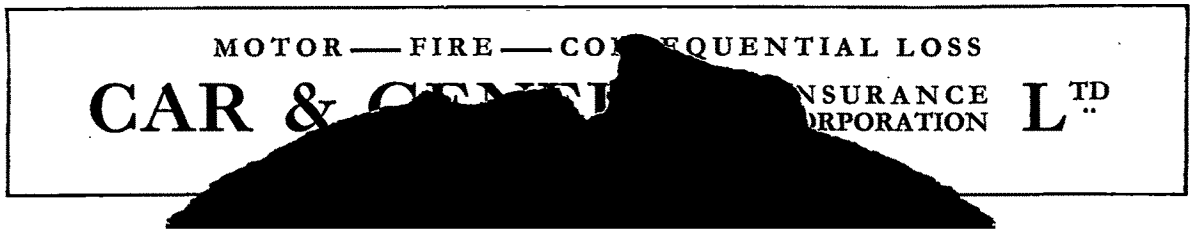
Graduated Pension Scheme

Mr FRANK ALLAUN asked the Minister of Pensions and National Insurance the latest number of employees who have contracted out of the Government pension scheme.

Mr BOYD-CARPENTER: The number is 4,437,703.

Mr HOUGHTON asked the Minister of Pensions and National Insurance what will be the procedure in his Department after the expiry of the income tax year on April 5th regarding the recording of graduated contributions, and the notifications to insured persons of contributions paid; what will be the approximate number of contributors involved; and whether he will make a statement.

Mr BOYD-CARPENTER: The Inland Revenue will send employers' P.A.Y.E. returns to my Department's Central Office at Newcastle upon Tyne for entry of the employees' graduated contributions in their individual insurance accounts; these will be maintained on an electronic computer. When the recording process is



complete, each employee shown as having paid graduated contributions will be sent a statement of account and explanatory leaflet. The number of contributors cannot be precisely forecast but is likely to be of the order of eleven million.

Hansard, April 2nd, 1962. Oral Answers. Col. 21.

WAR DAMAGE COMMISSION

Sir Alexander Johnston, G.C.B., K.B.E., has been appointed Chairman of the War Damage Commission as from April 1st, following the retirement of Sir Robert Fraser, K.C.B., K.B.E. Sir Alexander will continue as Chairman of the Board of Inland Revenue.

ENGLISH CHARTERED ACCOUNTANTS IN SCOTLAND

The fourth annual general meeting of the Association of English Chartered Accountants in Scotland was recently held in Edinburgh. The Chairman, Mr M. G. Wittet, F.C.A., reported on the activities of the Association during the past year, and the following were elected to office and to the Executive Committee for the ensuing year:

Chairman: Mr M. G. Wittet, F.C.A.

Secretary: Miss D. M. Vaughan, B.A., F.C.A.

Committee: Mr A. Adamson, F.C.A.; Mr H. C. Clarke, F.C.A.; Mr S. F. Cross-Rudkin, F.C.A.; Mr N. H. Macdonald, F.C.A.; Mr W. H. Palmer, F.C.A.; Mr W. T. Turner, F.C.A.; Mr K. E. Young, F.C.A.; Mr F. S. Mycroft, F.C.A.; Mr J. S. Masterton, F.S.A.A.; Mr T. Robertson, A.C.A.

Mr W. T. Riddle, M.A., F.C.A., was reappointed Honorary Auditor.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will take place on Wednesday, April 11th, at the Tiger Tavern, 1 Tower Hill, London EC3, at 6 for 6.30 p.m. The topic for discussion will be 'Aspects of European accounting', introduced by Mr D. E. F. Green, M.B.E., F.C.A.

THE INSTITUTE OF INTERNAL AUDITORS

Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held next Thursday, April 12th, at 6.30 p.m., at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham 3. Light refreshments will be available from 6 p.m. The speaker will be Mr K. Bradley, A.A.C.C.A., of the Associated Octel Co Ltd, who has entitled his paper 'Octel-auditing'. Information regarding the activities of the Chapter can be obtained from the Hon. Secretary, Mr R. C. J. Lucas, West Midlands Gas Board, 39/41 Hagley Road, Birmingham 16.

DEVELOPMENT OF INTERNAL AUDITING

A small booklet entitled *Concepts, Objectives and Activities of Internal Auditing* has been issued by the London Chapter of The Institute of Internal Auditors. Compiled from a similar publication written for the Institute of Internal Auditors in the United States, the booklet briefly reviews among other matters, the evolution of internal auditing and its development as an important control for management, and sets out a statement of responsibilities of the internal auditor.

GRIMSBY AND NORTH LINCOLNSHIRE CHARTERED ACCOUNTANTS

The eighth annual report of the Grimsby and North Lincolnshire Branch of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants, presented at the annual meeting held on March 19th, records a total membership at December 31st, 1961, of eighty-four.

The report states that regular meetings were held during 1961 when addresses were given on topics of general interest such as 'Farm valuations', 'The work of the T. & R. Committee' and 'The provincial brokers' stock exchange'. Appreciation is expressed to Mr C. M. Strachan, O.B.E., F.C.A., who resigned from the Council of the Institute (*The Accountant* of October 21st, 1961) during the year and who devoted unfailing interest to the affairs of the Society since his election to the Council in 1949. The report records with pleasure the appointment of Mr R. G. Slack, M.A., F.C.A. (*The Accountant*, November 11th, 1961), President of the Society, as his successor on the Council.

The annual dinner held at the Royal Hotel, Grimsby, on November 9th, was attended by 131 members and guests and the branch organized the district society's golf competition for the Beardsall Cup which was held at Torksey in September.

The following officers and committee have been elected for the ensuing year:

President: Mr A. A. Beardsall, F.C.A.

Chairman: Mr G. R. Watson, F.C.A.

Vice-Chairman: Mr J. R. Gregory, F.C.A.

Deputy Chairman: Mr W. McWilliam, F.C.A.

Hon. Treasurer: Mr A. Buckton, F.C.A.

Hon. Secretary: Mr W. S. Warrs, F.C.A., 20 Carlton Road, Grimsby.

Hon. Librarian: Mr G. D. Falconer, F.C.A.

Committee: Messrs M. G. Bain, F.C.A.; E. M. Fisher, F.C.A.; R. B. Heaton, F.C.A.; F. Sellar, A.C.A.; G. R. Smith, F.C.A.; G. B. Standaloft, A.C.A.; L. S. Wrightson, F.C.A.

Ex-officio Members: Messrs N. Townend, F.C.A., and R. G. Slack, M.A., F.C.A.

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THE ACCOUNTANT

ESTABLISHED 1874

APRIL 14TH, 1962 VOL. CXLVI. NO. 4556

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CONTENTS

	Page
The Budget	429
Taxation Changes	431
Registration of National Charities	437
How to Decimalize the Currency by *William Phillips, F.I.A.*	438
Rates as Preferential Debts by *W. H. D. Winder, M.A., LL.M.*	440
Weekly Notes As Seen by Others – National Income Estimates – Below the Line – Promise to Pay 'On or Before' not a Promissory Note – Labour Statistics Galore – Stamp Duty on Blank Transfers – To Decimals in Five Years	443
This is My Life . . . by *An Industrious Accountant*	445
Finance and Commerce Birmingham Industrial Trust Ltd – The Alliance Trust Co Ltd – Fish-Oil & Guano Co Ltd – City Notes – Rates and Prices	446
Correspondence	449
The Institute of Chartered Accountants in England and Wales	
Special and Ordinary Meetings of the Council	450
Presentation of Prizes	463
Finding and Decision of the Appeal Committee	463
Members' Library	463
Chartered Accountants' Golfing Society	
Presentation to Mr D. V. House	464
Notes and Notices	465
London Students' Column	
News from the London Chartered Accountant Students' Committee	468

The Budget

THIS year's Budget has few surprises but a number of disappointments. It is economically a patchwork affair, but politically a shrewd performance. In terms of fiscal reform there is a promise of better things to come, but for the time being no great spring cleaning is to take place. Instead, as has so often happened before, only a few worthless antiques are to be thrown out.

It must be a long time since the proposed tax changes overall were expected to have as little effect on the pattern of the previous year's revenue and expenditure. On the basis of existing taxation, the above-the-line estimated revenue for 1962–63 is £6,807 million (compared with last year's outcome of £6,645 million). Expenditure will be £6,364 million (compared with £6,235 million). This will give a surplus above-the-line of £443 million. Below-the-line net payments are expected to be £507 million (against £621 million in 1961–62). This means that the borrowing required over the entire Budget will be £64 million (£74 million after tax changes) compared with last year's estimate of £69 million.

As an instrument of economic policy the Budget is therefore destined to play almost an identical role with last year – if all goes according to plan. To quote THE CHANCELLOR OF THE EXCHEQUER: 'I see no diminution in the public pressures to put additional burdens on the Exchequer.' What are the economic prospects leading up to this conclusion and strategy? Last week the *Economic Survey* turned out to be an exceedingly drab document and the inference drawn from it was that the CHANCELLOR had reserved a full review of the economic situation and forecast for the Budget. So he has, but it is rather thin fare. Having briefly reviewed the success achieved since the summer of 1961 in defending the pound, the balance of payments and the economy as a whole, he turned with hardly less brevity to the future.

Export prospects are good if our prices are right and this applies to invisible exports as well as visible ones. Capital investment in the public sector is expected to rise and so is that in service industries. Private investment in housing should go up but investment by manufacturing industry is expected to decline. This will be a modest fall from a peak figure, however, and the expected level of total capital investment is scheduled to increase through 1962.

Expenditure by public authorities and the Government is expected to rise and there may be renewed investment in stocks later in the year. Personal spending will go up aided by hire-purchase and it may have risen by as much as 4 per cent by this

time next year. There is therefore expected to be a big advance in home demand over the next twelve months. Since the Government is prepared to condone it this means not only that there is a significant margin of industrial capacity at present not used, but that up to a point the policy of damping down the home market is to be modified.

This is clearly a policy of calculated risk and it must be said that it suits at present both the advice of most of the experts and the mood of the country. This is something of a by-election Budget. Success in surmounting the risks hangs on restraining pay increases and on stimulating exports. The CHANCELLOR was much more convincing about the first of these than about the second. He said quite firmly on Monday: 'We cannot afford to have a second general round of increases in the later months of 1962.' The pay pause is therefore still a live issue. MR LLOYD will have no truck with export incentives but will rely on lower interest rates for export accommodation. This was probably the weakest part of the Budget. Few will agree that manufacturers will be persuaded as never before to sell aggressively in export markets when home demand is rising and the only immediate incentive is better payment facilities.

On simplification of the tax system, a single corporation tax to replace the present income tax and profits tax has reached the draft stage and is due to be discussed with the professional bodies concerned. The CHANCELLOR made a passing reference to the complexity and burden of the present tax system on accountants. In next year's accounts the defence estimates will appear in a simplified form similar to the change already made to the civil estimates. A new monthly financial set of statistics is to be made public next month.

The proposed tax changes are discussed in the second part of this article. At this point only a few points of general economic and fiscal interest are considered. Schedule A tax is to be ended in the Finance Bill of 1963. The CHANCELLOR has promised that the new rating valuations will not be used for Schedule A so far as owner-occupiers of residential property are concerned. The burden will doubtless go on the broad shoulders of industry and trade. The tax on speculative gains is no better and no worse than expected. Its revenue merits are negligible as the CHANCELLOR has admitted. Its political value may yet be considerable. Two points are worth making about it beyond that. The principle of a capital gains tax has now been recorded for inclusion in a Finance Bill. The CHANCELLOR's guileless remark that it will yield little revenue has to be taken with reservations. The principle is there and the Inland Revenue can cast a speculative net over the fiscal sprat. The mackerel could come later. Secondly, by the simple device of making gains part of the general burden of income tax and surtax the principle is enshrined that the wealthier the operator the more he pays.

The proposals on direct taxation will cost £8·5 million this year. The sums involved on indirect taxation are rather larger. The CHANCELLOR says that he wishes neither to add to nor draw from purchasing power on this occasion. The payroll tax is not to be added to his armoury this year. But the 10 per cent surcharge on purchase tax is to be consolidated into the new rates of indirect taxation and the power renewed for the new fiscal year. The principle of the use of a regulator between Budgets, which was the most interesting innovation of last year's Budget, has thereby been retained. The public, of course, now sees it being used in the dual role of regulator and fiscal jack. It has been turned into a revenue device and so the ways of economic policy are justified to the needs of the Exchequer.

But the CHANCELLOR can be avuncular, too. His decision not to raise the duty on tobacco seems based on the principle that a little bit of what you fancy never does you any harm. For once, some people's fancy and the CHANCELLOR's interest in terms of revenue are in harmony. The duties on hydrocarbon oils are retained to the advantage of the coal industry.

On purchase tax, the CHANCELLOR has given a clear hint that he prefers to widen its base than to introduce a turnover tax. He has therefore made a start towards bringing rates on various consumer goods into line and is imposing a tax on new items, notably confectionery. He is doubtless less impressed with the favourable effect a smaller consumption of certain sweets might have on young people's teeth than on the ripeness of the adolescent pocket for a share of the tax burden.

TAXATION CHANGES

As far as taxation is concerned, this is a Budget of bits and pieces which are likely to cover many pages of the Statute Book without making any really appreciable difference to the revenue of the State. The CHANCELLOR accompanies his oft-expressed yearnings for simplicity with proposals which can only be expressed in complicated language and which make direct taxation more than ever a matter for experts.

Speculators' Short-term Realized Gains

The long-threatened tax on capital gains, or whatever one likes to call it, has at last appeared. It is a remarkably damp squib. It will yield nothing in 1962–63 and the CHANCELLOR makes no forecast of yield thereafter. Indeed, he frankly puts his proposals forward as being in the hope of meeting criticism of the absence of a capital gains tax, rather than in any belief that any revenue will be produced. Since the administration of the tax will in any case cause a tremendous expenditure of highly skilled labour, this shadow-boxing seems to be an unnecessary luxury.

The new tax is to constitute a new case of Schedule D of the existing income tax. Case VII will extend to realized gains on the resale of land after it has been held for less than three years. This will hit the man who, in the words of the CHANCELLOR 'buys land in the hope of a quick speculative profit through sale to a genuine developer'. Perhaps MR LLOYD, or his advisers, have not heard of *Cooke v. Haddock* (39 A.T.C. 244); or perhaps they are merely hoping that the vast majority of the electorate have not heard of that case.

Case VII will also extend to profits on the acquisition and disposal of stocks, shares, securities, commodities and other property (including interests or rights in such assets) where the acquisition and disposal take place not more than six months of each other. Nothing has so far been said about earned income relief.

There are of course exceptions. An owner-occupied house, if it is the owner's principal residence, will escape. Movable property such as pictures, furniture, personal belongings and motor-cars are excluded as not being worth the complications involved. One might say the same about the whole tax. Incidentally, does anyone outside the trade sell a car for more than it cost him? A person who resells fixed assets which he has used in his own business will not be chargeable. This covers factory buildings and plant and machinery, and the exemption will come as a surprise to many for it has been strongly argued that such profits ought to be included in the ordinary taxable business profits, as being part of the trade.

Persons not resident in the United Kingdom will not be chargeable under Case VII. Nor will personal representatives, or beneficiaries, in respect of sales of property which came to them on a death. The charity exemption will be extended to cover Case VII. Where property is the subject of a gift, if the donee disposes of it then the statutory three years, or six months, will be measured from the date of acquisition by the donor. However, this dispensation is subject to certain conditions which have not yet been revealed.

Among the many special matters relating to the speculative gains tax which will have to be dealt with in the Finance Bill, MR LLOYD singled out for mention the problem of bonus and rights issues. A bonus issue by itself will still not attract tax. Moreover, if the bonus shares are sold they will be regarded for Case VII purposes as having been acquired by the seller when he acquired the 'parent' shares, i.e. for the purpose of the six months rule, he will be regarded as having held the bonus shares longer than he has held them in fact. A similar rule will be applied to shares acquired under a rights issue. It would seem that if a person buys rights in the open market, then exercises those rights, and then sells the shares so acquired, the six months will be measured from the purchase of the rights, not from the later purchase of the shares. However, the CHANCELLOR'S words on this aspect were not very clear.

Manipulation of the statutory time limits of six months and three years by means of option transactions will not apparently be allowed. A person who acquires an option to buy property will not be treated as having bought the property

until the actual purchase. On the other hand, if he grants an option to a potential buyer, he will be treated as having sold at the date of grant of the option. This is one indication of the 'careful drafting' of which the CHANCELLOR is boasting in advance. Certainly the draftsman has not hurried.

Another example of the elaborate nature of the new provisions is in relation to the well-known device of putting property into a company formed for the purpose and then selling the shares of the company. The advantages of this device would normally be increased in relation to Case VII. By putting land into a company, the speculator could prima facie reduce the vulnerable period from three years to six months. However, special provisions will be aimed at bringing the shares into charge if they are sold within the three years, provided that the company has not held the land for more than three years. Even so, any appreciation in the value of the land which was referable to a period prior to April 10th, 1962, would not be taxed.

Needless to say, it is not the gross profit on the acquisition and disposal which will be taxed. Allowance will be made for all 'proper and relevant expenditure' incurred by the seller. Moreover, losses (as created or increased by such expenditure) will be available for set off against Case VII income of the same or subsequent income tax years. It follows that there will be wide scope for manipulation. A share speculator who finds some of his purchases falling will no doubt sell within the statutory six months; thus providing himself with losses which will be available for set off in any future year. Where a speculation has prospered, he will naturally tend to retain the shares until the statutory six months have expired. Small wonder that the CHANCELLOR declined to give any estimate of yield for such a tax, which seems more like an elaborate arrangement to allow for people who are so disposed to make voluntary contributions to the Exchequer.

Not only will the Case VII yield be small, the very existence of the new case will hamper the Inland Revenue in imposing tax under Case I on transactions which have the indicia of trading. Once the statutory six months or three years have passed, the Inland Revenue are likely to feel somewhat inhibited from raising a Case I assessment. One advantage will be the reduction of uncertainty as to whether the Inland Revenue will treat a particular transaction as trading.

The promise not to make the new tax retrospective has been honoured. Property acquired before April 10th, 1962, can safely be sold at any time without attracting Case VII tax. Where a stock exchange 'bear' has sold stock prior to buying it, if the sale took place before April 10th, the profit on the transaction will not be taxable. An unexpected aspect of the new tax is the power which the Inland Revenue will have to submit names to brokers, estate agents, banks, and other persons acting for clients in chargeable transactions. These agents can be required to report details of transactions effected by them on behalf of the clients named. This new power, like the tax itself, represents the thin end of what could be a very thick wedge, when the next 'tough' Budget comes along.

A corollary to the proposed speculator's tax is a new impost under Case VI of Schedule D directed against the dealer who avoids tax by putting each deal through a different company (with investment objects) and selling the shares in the company, rather than the property in which he is dealing. One would have thought that the definition of trading, combined with the principle established in *Associated London Properties Ltd v. Henriksen* (23 A.T.C. 226), might be enough by itself to ensure that such dealers were fully taxed, without further complicated legislation.

Repairing Cracks in the 1960 Act

The phrase 'careful drafting' used by the CHANCELLOR about the Case VII provisions could hardly be applied to the drafting of the 1960 Finance Bill, particularly the provisions which finally emerged as sections 21–23 and 28 of the Finance Act, 1960. Some of the more obvious cracks in the structure are to be patched up but not retrospectively. Broadly speaking, the anti-avoidance legislation in sections 21–23 is confined to transactions in shares, while section 28 is confined to transactions in 'securities', which are defined to include shares. It is possible to have interests in companies which are neither shares nor securities, but which, by a judicious drafting of the articles of association, carry as much value as shares or securities would normally carry. It seems that the intention is to broaden

the definition of shares and securities in order to catch transactions in such interests.

Not surprisingly, the drafting of section 28 of the Finance Act, 1960, contains other flaws. A means of avoiding the section has been found in the provisions concerning subvention payments, and in the law relating to liquidations. Transactions can also be split between husband and wife in a way which avoids the section.

The taxation of the profits of building operations can still be avoided where what is in reality a single transaction is split between two persons. One of them acquires the freehold of a site ripe for building on. He contracts to grant a lease to a person who is going to buy a building which is to be erected on the site. The other party to the split transaction is a builder who erects the building and, of course, pays tax on the profit which may be artificially restricted. The premium which the purchaser pays to the freeholder, and the proceeds of sale of the reversion to the freehold with the building on it, escape tax. New provisions, which promise to lack nothing in complexity, will try to thwart this and similar devices, and correct the other drafting flaws with effect from April 10th, 1962.

Profits Tax

The Budget brings no relief from the present very high rate of profits tax. On the other hand, the CHANCELLOR has now committed himself to seeking a way of unifying profits tax with income tax in a single corporation tax, even if this should result in a combined rate which is less than the standard rate of income tax. The CHANCELLOR announced that the Inland Revenue had gone a considerable way towards framing a scheme for this unification. Some complex technical problems remain and MR LLOYD has asked the Inland Revenue to enlist the help of 'some of the professional bodies with which they are accustomed to review technical issues of this kind'. The discussions of the Revenue's draft scheme will of course be confidential but clearly the accountancy bodies will be asked to help.

In the meantime, companies having Case VII profits will have to pay profits tax on them as well; likewise where there is Case VI liability under the proposed anti-avoidance provisions in relation to land transactions.

Capital Allowances and Loss Relief

There is to be a liberalization of the provisions for set off of trading losses against other income, under section 341 of the Income Tax Act, 1952. At present, capital allowances can be added to the loss but they are the capital allowances of the tax year in which the loss is incurred. It is proposed, broadly speaking, that the capital allowances of the following tax year may be taken, i.e. the allowances based on the same basis period as the one in which the loss is incurred. Thus the capital allowances will be allowed a year earlier. More than a half of the benefit of this concession (£6 million in 1962–63) will in fact go to the British shipping industry.

Schedule A begins its Exit

We have long argued that the Schedule A tax on owner-occupiers ought to be abolished, the schedule itself being replaced by a tax on rents as such. The Royal Commission supported the retention of this tax, on the ground that to abolish it would discriminate against people paying rent. They did not carry this logic to the point of taxing people on the annual value on any other kind of property, such as motor-cars, furs, or jewellery. We pointed out that although the Government accepted the principle of taxing notional income from non-existent rents, they did not carry their conviction so far as to base the Schedule A assessments on owner-occupiers on the true annual value. Instead, and without any statutory authority in relation to new property, the Schedule A assessments have been based on 1936 values. This has meant that the gross annual value has been so small in relation to the expenditure on repairs that the already minute assessments were being altogether wiped out by maintenance relief, where the owner was intelligent enough to claim, which relief is of course calculated on the real present-day cost of repairs, not on what repairs might have cost in 1936.

Next year, there will be revised rating assessments which will be on true annual values, not on purely hypothetical values of June 1939. Under present law such revaluation would be followed by a Schedule A revaluation, which, as the CHANCELLOR said, could treble or quadruple the burden on owner-occupiers. At last we have a CHANCELLOR who has the courage openly to

recognize the absurdity of the situation the Government have got themselves into. As he says, unless the Schedule A is charged on current values it is difficult to find a firm basis for the tax. Moreover, people have to plan ahead; they have to decide whether or not to appeal against new assessments. In order to end uncertainty the CHANCELLOR gave an undertaking not to use the 1963 rating valuations for Schedule A purposes, in the case of owner-occupied residential property. On the contrary, proposals will be introduced next year for bringing this tax to an end. The cost of complete abolition would be some £50 million a year and therefore MR LLOYD could not promise abolition at one fell swoop in 1963–64. Nevertheless, Schedule A would eventually go, starting presumably with a reduction for 1962–63. Perhaps the CHANCELLOR was not uninfluenced by recent criticisms of the high cost of collection.

Business Expenses

We mentioned in a 'Weekly Note' in last week's issue an administrative stepping up of the war against unjustified business expenses. Before taking any legislative steps the CHANCELLOR is waiting to see what will result from the new inquisitorial form which is being sent to companies and employers in respect of directors and higher-paid staff. The new form and its scrutiny is bound to take up a good deal of administrative time with no assurance of a much greater yield of tax. There is certainly something to be said for a simple general embargo on, say, entertaining expenses, notwithstanding that this may cause difficulties for some exporters. Apart from its revenue advantages, such a move would have social advantages, and help to clean up business morality.

Tax on Small Investment Incomes

The CHANCELLOR has made welcome concessions to people living on small investment incomes. At present, under section 15 of the Finance Act, 1952, as last amended in 1955, an individual with an income not exceeding £300 is in effect given the two-ninths earned income relief, notwithstanding that his income is not earned. The value of money has fallen considerably in the last seven years and the CHANCELLOR proposes to increase the £300 to £400. A single person with an investment income of just £400 will pay £22 less tax.

There are of course marginal provisions. At present, if the income does not exceed £405, the individual is entitled to have his tax bill restricted to the sum of

(*a*) the tax payable on an income of exactly £300; plus

(*b*) two-fifths of the amount by which the actual income exceeds £300.

Under the new proposals for marginal relief, the maximum income will be £550 and the tax will be restricted to the sum of

(*a*) the tax payable on an income of exactly £400; plus

(*b*) one-half of the amount by which the actual income exceeds £400.

The above changes concern people under 65 years of age, and of course are not confined to individuals who have to support themselves. They extend to children enjoying income settled on them by persons other than their parents. Where the taxpayer or his wife is 65 years or more, he is entitled to the more generous relief conferred by section 13 of the Finance Act, 1957, as last amended in 1959. At present such persons are entitled to total exemption if their income does not exceed £275 (£440 if married). These figures are to be raised to £300 and £480 respectively.

The present marginal relief provisions apply where the income exceeds the statutory maximum by less than £55. The relief consists in restricting the total liability to nine-twentieths of the excess. Under the new proposals the marginal relief will be available where the excess over the statutory maximum is less than £75. These provisions are doubly welcome in that at one and the same time they reduce the burden on the people who are most deserving of consideration and they free the income tax machine of numerous small and unremunerative cases.

Grossing-up Untaxed Income

A flaw has soon been found in section 17 of the Finance Act, 1961. This section itself was enacted to remove an anomaly. Under the double tax relief provisions, a taxpayer pays, broadly speaking, the higher of the two taxes, United Kingdom

or foreign. Some overseas territories give complete exemption from income tax in certain cases, as, for instance, the so-called 'pioneer' reliefs. The object of such reliefs tended to be frustrated by the fact that the tax foregone by the foreign territory was in effect collected by the United Kingdom. Section 17 provided for the assumption, in double tax agreements, that the tax foregone by the overseas territory had been paid. Dividends paid out of such income, which *ex hypothesi* has not borne any foreign tax and may have borne little or no United Kingdom tax, nevertheless require to be 'grossed-up' for United Kingdom tax purposes. This, according to the CHANCELLOR, would lead to a wrong result. It is proposed to remedy it in the Finance Bill. Of course, this is not the only anomaly arising from grossing-up in particular, and double tax relief in general.

Estate Duty

One wondered how long the immunity of foreign land and other immovable property from British estate duty would be allowed to persist, particularly in view of the rush to acquire real property in places like the Bahamas and the Channel Islands where there was an intense demand for 'Jersey mortgages', even though they yielded a very low rate of interest. The blow has now fallen, or rather will fall when this year's Finance Act becomes law about the end of July. Those who have acquired assets of this kind while remaining domiciled in Great Britain will have to think of some new way of avoiding estate duty, unless they can count on dying by the end of July. Oddly enough, the closing of this gap is estimated to produce only £2 million in a full year. The change has perhaps been precipitated by Press criticism, rather than the necessity to protect the Revenue.

In contrast with income tax, the existing provisions for avoiding double estate duty are somewhat rudimentary. It is proposed to set off, against British estate duty on foreign property, the foreign estate duty paid on it. This relief will apply to all kinds of property not merely immovable property. Accordingly the rules regarding the *situs* of property, particularly intangible property like debts and life policies will become more important than ever. The new relief will cost only £1 million in a full year.

United Kingdom negotiators have reached agreement with French ones for a comprehensive scheme of avoidance of double estate duties which takes account of the peculiarities of the French system. Legislation is necessary for the purpose of ratifying this and similar agreements and is to be introduced in the Finance Bill.

Last, but not least, the CHANCELLOR has taken the very sensible step of raising still further the minimum amount on which estate duty will be payable. This goes up from £3,000 to £4,000 and accordingly removes some 18,000 estates a year from the estate duty field, with the consequent saving of time and trouble both in the Inland Revenue and outside. The rates of duty in the range £4,000–£5,000 comes down from 2 per cent to 1 per cent; that in the range £5,000–£6,000 from 3 per cent to 2 per cent.

Stamp Duties

The vociferous attack on conveyance-on-sale stamp duties, particularly in relation to share transfers, has not moved the CHANCELLOR. The 2 per cent duty remains in full vigour. However, there is another *ad valorem* duty which is very complicated and gives rise to argument which its yield hardly justifies. Accordingly the five shillings per cent 'settlement' duty is to be abolished as from August 1st. Owing to the scope of 'voluntary disposition' duty, the duty on settlements is largely confined to marriage settlements and settlements of Government stock or cash. The settlement duty was extended to unit trusts in 1946 and this is to remain, but there is to be relief where the unit trust fund decreases and then increases again. In the case of unit trusts the duty will correspond to the capital stamp duty of 10*s* per cent on companies. The net effect will be to reduce the yield by only £30,000 per annum. This may however be increased if ingenious schemes for avoiding voluntary disposition duty are facilitated.

Tithe Annuities

Annuities payable by landowners under the Tithe Act, 1936, are some 110,000 in number and yield a little over £2 million per annum. As the cost of collection is high, there is to be legislation for compulsory redemption on the next sale of the land after October 1st next. This brings the

annuities into line with land tax, and will help to keep down the number of Civil Servants.

Indirect Taxation

The cumulative effect of the changes in direct taxation is estimated to be a reduction in yield by some £8½ million. It is not proposed to make this up by increased indirect taxation. Nevertheless, the whole system of indirect taxation is to be somewhat recast. The 10 per cent surcharge, as such, has been removed but there are compensating increases for alcohol and tobacco so as to maintain the same weight of tax on these much taxed commodities. Discrimination against cigarettes on health grounds has been rejected in view of the possibilities of evasion by rolling cigarettes in the home. Moreover the CHANCELLOR has shied away increasing tobacco tax in general.

On the other hand, sweets, ice-cream, chocolate biscuits, soft drinks and cider are to come into the purchase tax net, at 15 per cent. At the same time the top rate of 50 per cent (which with the surcharge was 55 per cent) is being reduced to 45 per cent, partly as a fillip to the motor-car manufacturers, who have not enjoyed such a low rate for many years. The proliferation of purchase tax rates is somewhat checked by a provision to replace the 12½ per cent and 5 per cent rates by a single 10 per cent rate. Thus carpets, floor coverings and cooking utensils join with clothing and furniture. The net effect of the changes, including the dropping of the 10 per cent surcharge introduced in July 1961, is indicated by the following figures:

Goods	*Expenditure*	*Tax Decrease*			*Tax Increase*		
	£	£	*s*	*d*	£	*s*	*d*
Motor-car ..	850	48	0	0			
Motor-car ..	600	34	0	0			
Television Set ..	65	3	5	0			
Carpet	50	1	3	0			
Furniture ..	100				2	17	6
Suit	12					7	6
Suit	20					12	6
Cutlery, Hardware ..	20		8	6			

The reduction of purchase tax on conventional luxuries like cars, television sets, gramophone records and cosmetics, combined with the increase of purchase tax on conventional necessities like kitchen hardware, is at first sight somewhat strange. It is however part of a long-term plan towards a standard flat-rate tax on nearly all goods, no doubt with one eye on the Common Market. The former international preference for a turnover tax at retail points is now weakening in favour of a purchase tax at wholesale points. Very high rates of purchase tax such as formerly obtained have a distorting effect on industrial production, and have even put some firms out of business. It is in this context that the case for a tax on sweets and soft drinks takes on a more convincing aspect, for these commodities are really luxuries, albeit widely spread. Moreover, the growth in prosperity has greatly increased the consumption of sweets and soft drinks and this in turn has had a damaging effect on the health of the nation's teeth, particularly children's teeth, as dental statistics show. A reduction in the cost of ordinary sugar by a halfpenny a pound helps to increase the disparity between that commodity and sweets and should assist the satisfaction of the craving for sweet food at the meal table, rather than between meals, with a consequent beneficial effect on dental health.

Another purchase tax loophole is to be closed. At the moment a manufacturer of chargeable goods is not required to register with the purchase tax authorities unless he either sells or lets out on hire more than £500 worth of chargeable goods in a year. This means that a manufacturer who makes chargeable goods for his own business, without letting them out on hire, can make chargeable goods to any extent without having to pay purchase tax on them. The same limit of £500 is now to be applied to such manufacturers.

As indicated above, sugar is to cost less by a halfpenny a pound. This is achieved by repealing the excise duties on sugar, molasses, glucose and saccharin. In the case of customs duties on these commodities, and on coffee and cocoa, there are reductions which mean in effect that only imports from countries outside the Commonwealth bear duties and these duties are very small. They are not Revenue duties but to protect British Commonwealth industry. The net result is that the duty on foreign coffee, for instance, goes down from 14*s* per cwt. to 9*s* 4*d* per cwt.

The betting duty and the television advertisement duty are to remain at the rates prevailing before the Budget, i.e. 11 per cent and 33 per cent respectively; the surcharge being replaced by an increase in the basic rate.

Registration of National Charities

THE registration of charities under section 4 of the Charities Act, 1960, has been carried an important step further by the latest order[1] made on April 2nd by THE HOME SECRETARY and THE MINISTER OF EDUCATION under subsection (10) of that section. This order, the third to be made, not only brings London within the area of compulsory registration together with those of the Home Counties not within the earlier orders, and East Anglia and Sussex, but also applies to charities 'whose work is carried on otherwise than for the benefit wholly or mainly of some particular part or parts of England and Wales', that is to say, what are commonly referred to as general or national charities. These last constitute a class of charities of great importance.

The geographical area of registration now covers, roughly speaking, England south of the Wash. Subsection (4) of section 4 permits charities to be excepted by order or regulations from the requirement to register (paragraph (*b*)), but the only excepting orders so far made are one excepting voluntary schools with no permanent endowment but their premises[2], one excepting charities for the advancement of religion, including those for the relief of ministers and former ministers of religion and their families, from the duty to register until January 1st, 1963[3], and another excepting funds, not representing permanent endowments, which are being accumulated for the purpose of local units of the Boy Scouts Association and the Girl Guides Association and which produce an income of more than £15 a year[4].

The purpose of the temporary exception from registration accorded to religious charities is to enable the Charity Commissioners to continue their discussions with the religious denominations about those charities to be permanently excepted by order or regulations. The exception does not apply to denominational charities for secular purposes: for example, a church hall is not within the exception. The fact that a charity is not required to be registered does not mean that it cannot obtain registration, for subsection (2) of section 4 provides for voluntary registration, and trustees may well think it wise to avail themselves of this provision with a view to obtaining more easily income tax relief and also relief from rates under the Rating and Valuation Act, 1961.

Charities within the first of the registration orders should have been registered by June 22nd, 1961, and those within the second by December 22nd, 1961. The latest order requires registration not later than September 22nd next. It appears, however, that registration has been slow, and that there are many trustees who are in default. This is regrettable because, as we pointed out in a leading article in our issue of June 10th, 1961, the central register of charities plays a vital part in one of the primary objects of the Charities Act, that of fostering co-operation between charity and the statutory welfare services.

The Charity Commissioners and THE MINISTER OF EDUCATION for their part are making remarkably rapid progress in the process of registration. With the making of two more orders, one in the autumn of this year covering the Midlands and Wales, and another in the spring of 1963 covering the northern counties, registration will have been extended to the whole country well within three years of the coming into force of the main provisions of the Act. But the Charity Commissioners cannot write to trustees calling upon them to apply for registration, for the simple reason that there are very many charities the existence of which is not known to them – THE MINISTER OF EDUCATION's task is in this respect less difficult – and the Commissioners must, therefore, rely on trustees fulfilling their duty to apply. In so applying they will in no way court interference in the administration of their trusts, but they will help to make the Act work and so further the public benefit which is the essence of charity as that term is understood in English law.

[1] The Charities (Registration) (Commencement No. 3) Order, 1962 (S.I. No. 698 of 1962).

[2] The Charities (Exception of Voluntary Schools from Registration) Regulations, 1960 (S.I. No. 2366 of 1960).

[3] The Charities (Exception of Religious Charities from Registration) Regulations, 1961 (S.I. No. 986 of 1961).

[4] The Charities (Exception of Certain Charities for Boy Scouts and Girl Guides from Registration) Regulations, 1961 (S.I. No. 1044 of 1961).

How to Decimalize the Currency

by WILLIAM PHILLIPS, F.I.A.

THE purpose of this article is not to discuss whether the British monetary system should or should not be decimalized. The instructions to the Government's committee of inquiry, under the chairmanship of Lord Halsbury, do not include the consideration of that question, its terms of reference are limited to considering, on the assumption that the currency is to be decimalized, what is the best way of doing it; and this article is purposely limited to the same subject.

More than a hundred years ago when the decimalization of this country's currency was first given serious consideration the issue was a comparatively simple one: should it be to retain the £ and abandon the penny, or keep the penny and introduce a new coin of a hundred pence? The issue had hardly changed when the question became a live one again at the beginning of the present century. Even then it was still possible to argue that the scientists and technologists were supporters of decimalization.

No Support from Science

The position now is very different; for now the supposed support for the decimal system by the scientist and the technician has gone for ever, killed by the electronic computer. The author of a paper presented to the Institute of Actuaries in January 1936 advocated the adoption of octonary numeration for scientific and business purposes, coupled with binary arithmetic, for the great mass of figures recorded and manipulated by the scientist and business man.

A quarter of a century having rolled by, there are now eminent mathematicians and astronomers who are convinced that sooner or later all scientific computations will be made in the binary scale of notation with an octonary scale input and output[1], that scientists and technicians will not only work in eights and powers of eight, but will keep all their records in that scale of notation, and use only constants and logarithms so expressed. Apparently it was not until some date in the 1930s that two old ideas fused in a realization that figures expressed in the octonary scale automatically convert into the binary scale, and vice versa, *on sight*. Hence the design of the first crude electronic *computer*, following Dr Wynn Williams's 1931 proposal of an electronic *counter*.

Again there are those who believe that when education is properly developed in Britain, school children will be as adept at working in the scale of notation twelve (which Professor Aitken has shown is so well suited for ordinary commercial purposes[2]), and in the scale of notation eight (which they will certainly need if they are to become scientists or technicians), as the best of them are at present in working in the scale of ten. However simple appeared the problem confronting our forefathers, now the decimalization of the British currency should, nay must in the name of sanity, be designed in the light of the world in which it is to survive, if the cost of its establishment is not to be money thrown away.

Reasons for Decimalizing the Currency

While we are not to discuss whether to decimalize, it would be helpful in deciding how to decimalize to know why we are to do so. In the first place it has been said that it would facilitate international trade. Assuming the £ is kept, whether as the unit or as an exact multiple of some new unit, this requirement would seem to be satisfied if we decimalized down as far as the present threepenny piece (under a new name). It can hardly be argued, even by the most ardent, that anything less than the price of the cheapest daily newspaper or the cheapest bus or tube ticket can possibly enter into international trade.

Next it must be admitted that the British £ is very much out of line with other countries' units, in which respect, however, the South African 10s (Rand) is little better. In any case to abandon both the £ and the penny would seem an unnecessarily drastic way of solving the problem of which of them to abandon.

Does Decimalization Necessarily Displace Penny?

Since the writer acquired a competent housekeeping shopper by marriage nearly thirty years ago, he has made vastly more purchases from

[1] See, for example, the views of Professor Aitken, F.R.S., expressed by him in *The Listener* of January 25th, and the recently expressed opinion of Professor Hoyle, F.R.S., set out in a letter in *The Times* of December 28th, 1961.

[2] *The Case Against Decimalisation*, Oliver & Boyd Ltd, Edinburgh, 1962.

shops in countries using decimal currency than from shops in Britain. He says without fear of contradiction that everywhere that he has had decimal currency transactions the British are envied the facility they enjoy by having twelve pence in the shilling. This embraces the United States and Canada, and two countries behind the Iron Curtain, and most of the other countries in Europe, each with a different decimal currency, all handicapped by not having something equivalent to twelve pence in the shilling.

The reason for this envy is that so many small articles are packed by the dozen, and the price of one in pence is the price of a dozen in shillings. If anyone suffers from the delusion that cakes of soap are packed in cartons of ten in France, that eggs are packed in boxes of ten in Holland, that bottles of lager are packed in crates of ten in Denmark, he need but reflect upon the shape a container would be which held ten, and only ten, of anything commonly sold either singly or in quantity.

Halving and Doubling

One turns now to a point on which there is widespread misapprehension, the belief that all the countries mentioned have a pure decimal system. This is simply not true. The natural tendency of human beings in all parts of the world to think in halves and quarters has, after all these years of overseas decimalization, proved irresistible. The United States and Canada each has a coin for half a dollar, admittedly somewhat rare, and a 'quarter' which is exceedingly common. It is true that it can be, and is, written as $.25, especially when associated with figures for one or more dollars, but it is always spoken of as a 'quarter' and never called twenty-five cents (nor, incidentally, a quarter-dollar), perhaps because it is shorter to call it a quarter.

The countries geographically nearest to Britain all have currencies which, basically, are built up of one hundred little units to the large unit, but they all halve and double. Austria has coins of 5 and 50 groschen and notes of 20, 50 and 500 schillings; Denmark has coins of 2 and 5 ore and 2 kroner; there are 4 Dutch cents to the stuiver, 4 Dutch kwartje to the thaler. France has 2, 5, 25 and 50 'new' centime coins, 5 and 50 'new' franc notes; Germany 2, 5 and 50 pfennig and 2 and 5 DM coins, 5, 20 and 50 DM notes; Italy 5, 20 and 50 lire coins and 500 lire coins and notes; Spain 5 and 50 centimo, 2½, 5, 25 and 50 peseta coins, 5, 25, 50 and 500 peseta notes; Sweden has 25 and 50 ore and 2 kronor coins, 5 and 50 kronor notes. In technical terms the binary scale of numeration with which the human race began centuries before anyone could count up to ten, or even five, is so deeply embedded in everyone that there is no escaping it.

A Lesson from France

There is another lesson which we in Britain may learn, this time from France. To the confusion of everyone, not least the French themselves, there now circulate in France two forms of note; one, for example, labelled '1,000 francs', the other labelled '10 NF' (new francs). Both are, of course, of precisely the same value; but such is the confusion that after all these months, articles in the shop windows of France are still being doubly priced – in francs and 'nouveaux francs'. *All this confusion could have been avoided by printing both values on all the new notes for a limited period.*

Choice of Unit

Thus two principles for the new British currency would be, first, that during introductory years the new notes and coins should bear more than one notation; and secondly, that a decimal currency does not, apparently cannot, preclude the use of coins of half a unit, and one-quarter, and even one-eighth, and notes of two, five twenty and fifty units, or some of them. A third principle is now suggested, namely, that in chosing a new unit for Britain it would be well to choose one which is not too wildly out of line with other countries' conception of a convenient unit.

The Dutch florin is but a tiny fraction less than the British florin, the French new franc is worth about 1*s* 5*d*, the German mark about 1*s* 9*d*, the Swiss franc about 1*s* 8*d*. Obviously we in Britain can only come into line, and only approximately because exchanges vary, with no more than one of these countries which are geographically nearest to us. If we come into line, as near as may be, with Holland, by choosing as our unit, the florin, which is of so nearly the same value as the thaler, it will stand at a not too large a premium as compared with most continental countries, and the English shilling, or half-florin as it would be called (and would probably soon become known as 'a half'), would very closely approximate to the Danish krone. Furthermore, the florin would correspond very closely to the American dollar in one sense, in that it purchases about as much in Britain as the Americans' dollar purchases in the United States.

The selection of the florin as the unit would have the advantage, in the view of many, that the

old records in pounds sterling would not become out of date – a result much to be desired for more than purely sentimental reasons. One does not have to be a mathematician to realize that if the profit of Tin Tacks Ltd was £1 million in 1962, and F10 million in 1963, it has neither reduced nor increased its annual profit.

The writer's specific suggestion, then, is that from an appointed day, say January 1st, 1963, all notes issued in Britain should be doubly notated, thus:

F100	£10
F50	£5
F10	£1
F5	10s

and all coins trebly notated thus:

Florin	Two shillings ..	Fl
Half	One shilling ..	Fo.5
Quarter ..	Six pence ..	Fo.25
Eighth	Three pence ..	Fo.125

The 'FID.DEF.', it is respectfully suggested, could be put on the same side of every coin as the 'DEI GRATIA'.

If the experiment proved successful, the second of these notations, the present values, would eventually disappear. The half-crown and the halfpenny would be withdrawn from circulation (declared by law to be worth, respectively, one florin and nothing after January 1st, 1964) and follow the noble, the groat, and the farthing, and many another coin, into oblivion.

The foreign trader and the visitor to Britain from overseas need not be troubled by the fact that, for our own private purposes – an internal secret if one cares so to regard it – we in Britain have retained the penny, worth one-third of an 'eighth'. Thus we should still be able to do what no other decimalized country can do, profit by the fact that the price of an article in our (private) penny would be the price of a dozen in 'halves' – which, like the North American 'quarter', would certainly remain in widespread use. The idea of the florin as the British decimal unit, introduced in the way suggested, has been termed an experiment, and it is one which would cost practically nothing. If it succeeded it would be retained; if it failed it could be abandoned at no loss to anyone. But the half-crown and the halfpenny would in any event remain abolished!

The writer does not preclude the possibility of a new unit of measure being invented and called, say, a 'tenth', namely, a tenth of a florin, equal in value to 2·4*d*, and it would be a nice touch, and not untypical, if though invented as a notion it were never coined.

Rates as Preferential Debts

by W. H. D. WINDER, M.A., LL.M.

A GENERAL rate levied by a local authority is not, to the legal purist, usually to be considered a 'debt', as it is not recoverable by action. It is, however, sufficiently a 'debt' on which to found a bankruptcy petition for the purposes of section 4 of the Bankruptcy Act, 1914, this point being settled by the Court of Appeal in the case of *Re McGreavey* ([1950] Ch. 269). And whether or not it is, according to general legal principle, a debt, it is something which is expressly given priority in the distribution of the property of a bankrupt and in the liquidation of a company. The peculiar characteristics of a rate as compared with other debts specified in the statutory lists of preferential claims give rise to special problems. One of these problems is concerned with the bearing of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, section 1 (7), on the insolvency legislation.

The amount of a rate assessed for a particular rating year may be reduced by a subsequent alteration of the valuation list. If such an alteration is proposed by a ratepayer there are statutory provisions which postpone recovery of the rate, or part of the rate, until the proposed alteration has been settled. How is the normal twelve months' priority period in a bankruptcy or liquidation affected in such circumstances? Some differences of opinion seem to exist among trustees in bankruptcy, liquidators and local authorities. It has been questioned whether postponement of recovery because of a proposed alteration reduces or increases the amount of the preferential claim which would have been valid if there had been no such postponement or proposal.

'In the distribution of the property of a bankrupt there shall be paid in priority to all other debts', the Bankruptcy Act, 1914, section 33 (1), tells us, ' (*a*) All parochial or other local rates due from the bankrupt at the date of the receiving

order, and having become due and payable within twelve months next before that time.' Section 319 (1) (*a*) (i) of the Companies Act, 1948, is in similar terms.

'Due and Payable'

The import of these words in relation to the rating system was considered in the case of *In re Airedale Garage Co Ltd* ([1933] Ch. 64) which decided, to put it broadly, that an alteration of the valuation list increasing a rate has a retrospective effect, and the difference is therefore payable as if it were arrears of the original rate. The precise question before the Court was whether the priority given by the Companies Act to rates becoming due and payable within twelve months next before the appointment of a receiver is extended by the Rating and Valuation Act, 1925, to include additional rates payable in respect of the twelve months, or some part thereof, under assessments made at a date subsequent to the receiver's appointment. The Court of Appeal held that the priority did extend to the addition.

A proposal to alter a valuation may not be finally settled until well after, perhaps several years after, the original rating year. The time lag is likely to be long in view of the provisions of section 1 of the Rating and Valuation (Miscellaneous Provisions) Act, 1955. And if it is long, then the final settlement is likely to be made after the expiration of the twelve months ending with the date of the receiving order or with the relevant date under the Companies Act. The final settlement in the case just cited was not made after the expiration of this period but final settlements at the present day are likely to be made outside that period. Often they will be well outside it.

Section 1 (7) deals with the recovery of certain excess rates in certain cases in which a proposal to reduce the value ascribed to property has been made by the ratepayer. If the value in a new valuation list exceeds the old value and the hereditament has not been substantially altered since its value was last previously determined, and '(*c*) a proposal for the alteration of the list, so as to reduce the value so ascribed to the hereditament, is served on the valuation officer before the end of the year beginning with the date on which the list comes into force, then' the following consequence ensues:

> 'Until the proposal has been settled, the amount recoverable in respect of rates levied on the hereditament for that year, or for any subsequent year, shall not (in the case of any such year) exceed the total amount of the rates (including any special rates) levied on the hereditament for the last year before that list came into force.'

Can it be said that the amount eventually recoverable has priority in bankruptcy or liquidation if the date on which it becomes recoverable by virtue of the above enactment is within the twelve months immediately before the receiving order or relevant liquidation date? The better answer would appear to be, No, that there is no such priority for the amount as such. The amount would appear to be attributable to the earlier rating years. This conclusion seems to follow from the explanation given in the case of *In re Airedale Garage Co Ltd* of the words 'due and payable' as used in the Bankruptcy Act and the Companies Act. These words are different from the word 'recoverable' in the Rating and Valuation (Miscellaneous Provisions) Act, 1955.

Retrospective Revaluations

It was decided in that case that the duty cast upon a receiver appointed by debenture-holders to pay rates then due from the company and 'having become due and payable within twelve months next before' his appointment in priority to other debts applies to a subsequent increase in the rates resulting from an appeal being allowed against the de-rating of part of the company's premises. This was so because by section 37 (10) of the Rating and Valuation Act, 1925, the resulting amendment of the valuation list was to 'be deemed to have had effect as from the commencement of the period in respect of which the rate was made' and to be recoverable 'as if it were arrears of the rate'. This provision is now to be found in words to the same effect in the Local Government Act, 1948, section 42 (1). The reasoning of the Court of Appeal in that case must be applied to this, the current, Act.

It was explained that by the terms of the rating statutes the liability in respect of rates is 'thrown back to the period during which the duty to pay rates accrued'. This is so even though, as Lord Hanworth, Master of the Rolls, said, 'it is true that it was not measured finally until a date which was subsequent to the twelve months' preferential year'. He added that certain principles are quite clear and that 'one is that a rate duly made and published is immediately payable', and he continued as follows:

> 'Sir John Jervis, Chief Justice of the Common Pleas, in deciding *Davis v. Burrell* ((1851) 10 C.B. 821) said: "When a rate is duly made and pub-

lished, it is the duty of the parties assessed to seek out the collector and to pay it", and he contrasted that duty so imposed upon them with the position under the statute 43 Eliz. c. 6, which provides that before recovering rates by distress it is necessary to make a personal demand; but there is no such requirement in order to set up the direct liability of the ratepayer to the rating authority. The other members of the Court say the same thing. That case was referred to in *Kershaw, Leese & Co Ltd v. Stockport Overseers* ([1923] 2 K.B. 129) by Greer, J., as establishing quite clearly the principle that as soon as the rate is properly made and published it has become payable by the ratepayer.'

The conclusion was that the increased assessment had to be appropriated to the rating period in question, and to that period alone, and 'although ascertained at a later date, it none the less belongs to and is founded upon the liability to rates during that period and no other'.

The Court of Appeal refused in express terms to give a restrictive meaning to the retrospective sections of the rating Acts. It was specifically held that they did not have effect only for the purposes of those Acts but had effect also for the purposes of the preferential debts provisions of the Companies Act. 'They were to have effect upon debts for rates as a whole,' said the Master of the Rolls, 'and where one finds that the debt has been appropriated to a particular period one must deal with it as such, *and see whether in that character it falls within the limitations*' (*italics inserted*) of the section of the Companies Act. The same approach would, of course, apply to the priority of debts section of the Bankruptcy Act.

It may be mentioned that the case of *Kershaw, Leese & Co Ltd v. Stockport Overseers* (*supra*) was decided before the modern retrospective provisions were introduced by the Rating and Valuation Act, 1925. The case seems to have given rise to some misunderstanding of the present law. The headnote to the case reads:

'When a person assessed in a valuation list gives notice of objection to the sum at which he is therein assessed, and the valuation list, and consequently the rate, are altered as a result of the objection, the rate does not become due and payable by such person until it has been so altered.'

This was the law on the pre-1925 statutory wording, that is, before section 37 (10) of the Rating and Valuation Act, 1925, and (replacing it) section 42 (1) of the Local Government Act, 1948. The decision is not applicable at the present day.

Amount 'Recoverable'

Because of the retrospective effect of a revaluation the whole rate, as amended, is or was due and payable in the original year or years but is none the less only 'recoverable' under the Rating and Valuation (Miscellaneous Provisions) Act, 1955, when the proposal for the alteration of the list is finally settled. The question arises whether this quite clear and specific provision for recovery qualifies, for insolvency purposes, the result which would normally follow from applying the 'due and payable' test retrospectively. If recovery is possible only from a date which falls within the twelve months down to the date of the receiving order, it is not surprising that some authorities are inclined to argue that there is a preferential claim in such circumstances for the 'surplus' amount, as it may be called. The surplus must be attributed to the earlier years and is, or was, due and payable then, but from the creditors' point of view it is the right of recovery which really matters.

The Act of 1955 is very precise as to when a proposal is settled, thus making, for the first time, the amount recoverable. Section 1 (8) reads:

'For the purposes of the last preceding section a proposal shall be taken to be settled when an alteration is made in the valuation list so as to give effect to the proposal, or to an agreement made in consequence of the proposal, or when the proceedings on an appeal against, or a reference to arbitration relating to, an objection to the proposal (including any proceedings in consequence of such an appeal or reference to arbitration) are finally determined, or when the proposal is withdrawn, whichever first occurs.'

It is submitted, however, that there is a real distinction between the two notions of payable and recoverable, that this distinction is recognized for general legal purposes, and that it must be applied to the insolvency legislation so as to deny preferential claims to the postponed surplus. It often happens that an ordinary debt is payable, perhaps even payable under the order of a Court, but is not presently recoverable, perhaps because the Court has specifically suspended the normal recovery process.

In interpreting the words 'due and payable' in the Bankruptcy Act and the Companies Act in the light of the Court's explanation in the *Airedale* case no violence is done to the meaning which must be put upon 'recoverable' in the Act of 1955. It is the former expression which is the operative test for a preferential claim and the latter which is the test for enforcement of the claim in other ways.

Weekly Notes

AS SEEN BY OTHERS

THE latest report on the state of the United Kingdom economy from the Organization for Economic Co-operation and Development[1] is one of the most informative and useful documents to have appeared from that source. Instead, as has been the case in the past, of dealing primarily with the experiences of the preceding twelve months, this latest report traces the development of Britain's economy since 1950, dealing with each facet in turn, and contrasting the performance of each sector of the economy with those of the E.E.C. (Common Market) countries. As such, it is an invaluable source-book for those who care to discuss these issues.

The report does not attribute the relatively poor economic performance of Britain to any single cause, but rather to a combination of interlocking factors. It stresses, for example, the lack of labour mobility in contrast with the E.E.C. countries which can draw upon pools of unemployed, or under-employed agricultural labour. It notes that the trade unions in the United Kingdom have been more militant and that, in consequence of the shortage of labour, employers have tended to hoard labour. The report lays special emphasis on the fact that Britain has throughout devoted a smaller proportion of its national income to productive investment than other countries, and suggests this may have been due to the Government's 'stop-go' economic policy and the persistent rise in costs.

The survey draws attention to the well-known weakness of British export trade, that too high a proportion of our exports are aimed at declining markets. It concludes that the primary aim of British economic policy must be to strengthen the balance of payments and suggests that it is 'unlikely that in 1962 it will be possible very substantially to relax the measures now restraining the growth of internal trade'.

NATIONAL INCOME ESTIMATES

SINCE the Blue book on National Income and Expenditure is published in the late autumn, it is nowadays customary to publish before the Budget a White Paper containing preliminary estimates of these important aggregates. The latest White Paper[2] shows that at £23,446 million the gross domestic product in 1961 was 6 per cent higher than in the previous year, the rise being the same as that a year earlier. But in real terms the actual increase last year was only 2¼ per cent compared with 3 per cent in real terms the year before. At current prices consumers' expenditure totals £17,302 million, which is 4¼ per cent up on the previous year, but in real terms a mere 1½ per cent. Fixed investment in 1961 totalled £4,530 million, an increase of 7¼ per cent in real terms. Income from employment rose from £15,102 million to £16,258 million on the year, an increase of 7¾ per cent. But company profits, at £3,374 million, were £200 million lower than in the previous year, a fall of 5½ per cent.

The experience of 1961 is in sharp contrast with that of the previous year when incomes from employment and profits both rose by 7½ per cent apiece. Of special interest is the fact that nearly one-half of the net increase in personal incomes after tax was saved, a continuation of the striking increase in personal saving which has been a feature of recent years. Thus, while in 1956 saving amounted to less than 6½ per cent of personal income after tax, in 1960 the proportion was nearly 8½ per cent and last year it reached 10¾ per cent. Nevertheless, personal consumers spent £17,302 million on goods and services, of which £2,269 million went on alcoholic drink and tobacco. It is noteworthy that this particular item rose 8¼ per cent on the year, while the personal expenditure on durable goods, due no doubt in part to hire-purchase restrictions and the general uncertainty, fell by 5 per cent to £1,286 million. In contrast, corporate incomes and undistributed income of companies before replacing capital assets both fell, for the first time since 1952.

BELOW THE LINE

IN the near century which has elapsed since the present form of the Budget accounts was introduced, the items below-the-line have grown from half a million pounds to over £600 million. Below-the-line expenditure consists of repayable advances and other expenditure which Parliament has specifically authorized the Government to meet from borrowing. Last year the Chancellor introduced a new pre-Budget White Paper which was intended to provide information about this below-the-line expenditure. The second of such papers, which covers 1962–63[3], states that the total expenditure below-the-line has declined from £621 million in 1961–62 to £507 million in 1962–63.

The most important borrowers remain the nationalized industries, which account for over 80 per cent of the total borrowing, and among them the Electricity Council with £179 million and the British Transport Commission with £139 million are the most important. The National Coal Board, it is of

[1] *Economic Surveys by the O.E.C.D.* United Kingdom. March 1962. H.M.S.O., 3*s*.

[2] *Preliminary Estimates of National Income and Expenditure, 1956 to 1961.* Cmnd. 1679, H.M.S.O., 1*s* 6*d*.

[3] *Government Expenditure Below the Line, 1962–63.* Cmnd. 1680, H.M.S.O., 1*s* 6*d*.

interest to note, will borrow nothing in 1962–64 as compared with £26 million last year. Loans for overseas assistance are expected to rise in 1962–63 by £15 million to £76 million, and a rise of £70 million is expected in the interest charged and received on below-the-line advances. This fortunately is a self-balancing item, but serves to draw attention to the wider effects of a high Bank rate.

PROMISE TO PAY 'ON OR BEFORE' NOT A PROMISSORY NOTE

A CLAIM on an alleged promissory note has been dismissed by the Court of Appeal on technical grounds. In *Williamson v. Rider* (*The Times*, March 23rd) a document was dated January 9th, 1956, and was apparently signed on August 14th, 1956. The only thing which distinguished it from an ordinary promissory note was that the maker promised to pay £100 not 'on' December 31st, 1956, but 'on or before' December 31st, 1956. The definition of 'promissory note' in section 83 of the Bills of Exchange Act, 1882, requires the promise to be to pay 'on demand or at a fixed or determinable future time'. By a majority of two-to-one the Court of Appeal held that the insertion of the words 'or before' prevented the document from being a promissory note within section 83. Leave to appeal to the House of Lords was refused.

It is interesting to note that for the purposes of stamp duty the document was nevertheless a promissory note. Section 33 of the Stamp Act, 1891, provides that, for the purposes of that Act, the expression 'promissory note' includes any document or writing (except a bank-note) containing a promise to pay any sum of money.

LABOUR STATISTICS GALORE

AS promised in the recent White Paper on Incomes Policy, the first issue of the publication devoted to statistics of 'Wage rates, earnings, hours of work and other conditions of employment, manpower, prices, production, profits and other relevant subjects' has now appeared.[1]

It is a substantial publication which contains little that is really new in the way of statistical data. Its main merit is that it brings within the compass of a single publication all the information which anyone having anything to do with labour matters could possibly want. Not merely are there detailed analyses of wage rates and earnings, as well as hours of work, by separate industries but there are also regional comparisons for each industry. Data relating to earnings and wage rates are expressed both in money terms and also in the form of indices which facilitate the comparison between different industries. In short, the publication is based on the information contained in recent years in the *Ministry of Labour Gazette* but in such a form that comparisons are possible.

A substantial and interesting section on company finance, some of which has appeared in *Economic Trends* gives the reader an analysis of earnings, taxation and other appropriations for a wide range of industries over a number of years, in most cases since 1950. There is a comprehensive section on employment statistics with an analysis by occupation and region. A final section is devoted to the main indices of retail and wholesale prices since 1956 together with the changes in the import and export price index since 1954. A brief summary of the index of industrial production for a wide range of industries completes the volume.

[1] *Statistics on Incomes, Prices, Employment and Production.* No. 1. H.M.S.O. Price 12*s* 6*d* net.

STAMP DUTY ON BLANK TRANSFERS

ON April 6th, Mr Justice Wilberforce gave judgment for the Crown in the stamp duty case *Fitch Lovell Ltd v. C.I.R.* (*The Guardian*, April 7th). The company had submitted for adjudication a number of blank transfers executed at its request by the shareholders of a company which was the subject of a takeover by Fitch Lovell Ltd. The consideration received by the transferors was some 30*s* per share and it was part of the bargain that Fitch Lovell Ltd should be entitled to receive notices of meeting of the company, although Fitch Lovell Ltd was not on the register of members. At an extraordinary general meeting the company altered its articles in such a way that the shares in question became of very small value and Fitch Lovell then sold them at about one penny each to its associated company. A document executed by the associated company, to which the blank transfers were attached, was charged with duty on the penny consideration, as being a conveyance on sale of those shares. The Crown also claimed duty on the blank transfers, calculated by reference to the consideration moving from Fitch Lovell Ltd (30*s* per share). Fitch Lovell Ltd claimed (*a*) that the blank transfers were not 'conveyances on sale' in that they did not vest the legal title in the shares in Fitch Lovell Ltd and (*b*) that in any case the duty payable was confined to that on the document effecting the subsale, in accordance with section 58 (4) of the Stamp Act, 1891. His lordship rejected both contentions.

TO DECIMALS IN FIVE YEARS

THE National Association of British Manufacturers think that conversion to a decimal system could be complete within five years. This opinion is given in their report to the Committee of Inquiry on Decimal Currency. The Association was asked to comment on the most convenient and practical form, the incidence of cost and the time and phasing of the change-over.

The Association is in favour of a change to the

decimal system and thinks that the five-year period would include a two- or three-year preparatory period. While the change is taking place they think that both currencies should be in operation. A five-year period would avoid, in their opinion, the possibility of a double operation for firms which have bought machines immediately after the war and which would be due for replacement or renovation in the near future. They think that £128 million to £135 million is a fair estimate of the cost of replacement or conversion of accounting machines but there would be a significant cost beyond this which they cannot compute.

They favour making 10*s* the basic unit to be called the 'noble' or 'royal'. The pound would be worth two 10*s* units and the cent, which would replace the penny, would be worth 1·2 pence. There would be ten cents in a shilling which should be retained. They think that the ½ cent should be retained but it should not be used for accounting machine purposes. They quote the experience of South Africa where the 10*s* cent system has been adopted and Australia and New Zealand where it has been recommended.

This is My Life . . .

by An Industrious Accountant

CHAPTER 119

AS articled clerks, we used to be a race apart; our hands against all men and all men's hands against us. We worked hard, we studied for our exams with judiciously-gauged diligence, we were loyal one to another. But we preserved our integrity and dignity against soulless seniors and patronizing partners by making it clear that we were no hired hacks; we had paid for our apprenticeship; we were free citizens. If we sauntered out to morning coffee on a Saturday when work was slack, we did so as of right; we paced the causeway like young Capulets swaggering through Verona. Our regular table was reserved downstairs in our favourite café; the junior partner used to fancy that café, but he moved out when we moved in.

The perennial trouble in those days was always money, or rather the lack of it, since our tastes outpaced our wallets; a tendency which, indeed, the passage of time has not cured. We sought remedies in practices hallowed by generations of articled clerks before us. Our office upheld the prestige of its staff by permitting first-class rail travel on out-of-town audits; we travelled third-class and pocketed the difference. We had a daily 'away allowance' envied by many of our colleagues; it, too, permitted a differential. How often have we lunched frugally on chocolate and apples, rather than table d'hôte, that the consequent saving might be spent more enjoyably in nocturnal revelry.

As my colleague, Ned, said in lordly style, when I found him replenishing his cigarette case from the full casket in our firm's conference room before a board meeting: 'A lawful perquisite, no less. It's been charged out to the client as entertainment expenses in the petty-cash book, so we're entitled to a share.' I couldn't follow his logic, but he sounded satisfied.

I worked out a profitable scheme once when I was due to travel to a Bradford audit. An uncle travelling northwards took me three-quarters of the way before his route diverged; he dropped me at a bus stop in the February dusk, before vanishing away westwards. I stood there, suitcase in hand, watching the golden lines of headlights speeding in unison north and south. A few soft snowflakes drifted down, eddying ballet-like in the light breezes, coating the trees behind the hedges in glittering crystals and dappling the pathway. The moors beyond stretched away into obscurity. It was like a Rembrandt painting; accountants should always appreciate the aesthetic beauties of Nature, especially when they've made a substantial profit on their bus fare.

My bus roared up ten minutes later, sharp on time. It was full. It passed without pausing. A glimpse of crowded seats, of the conductor motioning refusal . . . it was gone. The next was due an hour later.

It was quite some minutes before my dazed brain recovered from the shock and groped for a solution. The road stretched dark and bleak for miles on either side, only a few remote lights indicating houses here and there. No use to walk on; there might well be a chance of catching a bus on a different service. The snow was falling steadily now, ugly wet lumps that covered me like a snowman; the darkness around became slowly peopled with ghosties and ghoulies and long-leggity beasties. I might as well have been in a wilderness for all the human contact I could make in my extremity. The cars raced by, heedless of my desperately waving hand, though I stepped into the roadway to try to stop them. People are extraordinarily selfish sometimes. The heavy suitcase nearly ruptured my shoulder muscles, its soaked base witnessing my mistake in putting it down previously. My feet froze slowly; pleurisy or pneumonia, or both, loomed ahead. That profit would be a small return on investment, assuming I survived to collect it.

Well, I survived all right, though it was the chilliest hour in all my experience. Since then, my reimbursement slips have always been supported by hotel bills and tickets, and I enjoy the prescribed standard of living to the limit. Even articled clerks learn sense in the fullness of time.

Finance and Commerce

Provincial Issuing House

ONE financial development of recent years is the spread of issuing house business beyond the limits of the City of London. A number of the provincial cities now have their own issuing house organizations and one of them, Birmingham Industrial Trust Ltd, provides the subject for this week's reprint. These are its second accounts.

The company dates from the end of 1959 and has as its chairman, Mr Evan Ag. Norton, a Birmingham solicitor with a long list of company appointments, including membership of the Birmingham Committee of Lloyds Bank. Deputy chairman is Mr W. G. A. Russell, F.C.A., the Birmingham accountant whose appointments include the chairmanship of Glynwed Tubes Ltd. Other members of the board include names prominent in business and industry in the Midlands and a representative of Lazard Brothers & Co, the London house with which the company is connected. The £500,000 capital was provided by professional and business interests in the Birmingham area.

In a way, the sponsoring of share marketings is the culmination of issuing house work. 'We have', says Mr Norton, 'made advances to and raised funds for private companies which, with our help and guidance, are likely to be floated within the next few years. We have also been able to fulfil our role as financial advisers to our clients both generally on everyday financial matters, and specifically in connection with acquisitions and mergers.'

BIRMINGHAM INDUSTRIAL TRUST LIMITED
AND ITS SUBSIDIARY
B.I.T. INVESTMENTS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st DECEMBER, 1961

			Period from 18th November, 1959, to 31st December, 1960	
	£	£	£	£
PROFIT FOR THE YEAR before providing for taxation		54,256		*33,871*
Including Income from investments, loans and deposits and after charging:	1961 £ 29,466	*1960 £ 23,638*		
Depreciation	1,106	*1,039*		
Directors' remuneration:				
Fees	1,800	*1,150*		
Management	6,279	*2,551*		
Auditors' remuneration	242	*231*		
TAXATION on the Profit of the year:				
Income tax	21,105		*12,943*	
Profits tax	6,267		*3,326*	
		27,372		*16,269*
PROFIT after taxation:				
Parent company	21,754		*17,215*	
Subsidiary company	5,130		*387*	
		26,884		*17,602*
APPROPRIATIONS:				
Transfer to Special Reserve	104		—	
Proposed dividend for the year, 4%, less tax	12,250		—	
Formation expenses written off	—		*3,093*	
Amount set aside for income tax to 5th April, 1962	—		*4,040*	
		12,354		*7,133*
BALANCE: Unappropriated for year		14,530		*10,469*
Forward from last year		10,469		—
UNAPPROPRIATED PROFIT carried forward:				
Parent company	24,999		*10,255*	
Subsidiary company	—		*214*	
		£24,999		*£10,469*

Trustee Work

B.I.T. Investments Ltd, the consolidated subsidiary, is, as its name implies, an investment-holding company. A 'nursery' subsidiary is a normal feature of issuing house operation: a separate company into which can be placed investments – some quite long-term – which may, in due course, be the subject of a share marketing.

Company registration is what may be termed a 'side line'. This year there is an alteration of the memorandum to enable the company to carry on trustee work: 'to act as trustees of wills, settlements and trust deeds of all kinds and as executor and administrator and to carry on the business of a trust and investment company in all or any of its branches and departments, and to issue or grant annuities and to guarantee the performance of contracts', in the words of the new sub-clause.

The report includes a page of 'Issue business in 1960 and 1961', showing the offers for sale, placings and rights issues conducted by the company, the companies, their capital, shares marketed, their price and total market value.

It is a line of business in which the accountant has an important function. A tremendous amount of investigation work is involved before a company's shares can be put on the market.

Alliance Trust

MINOR but interesting changes have been made this year in the accounts of The Alliance Trust Co Ltd, one of the Scottish investment trust companies that in three-quarters of a century has built up a portfolio with a market value of over £64 million.

Mr Alan L. Brown, the chairman, points out that in the revenue account, estimated double taxation relief on the current year's income is shown as an addition to gross revenue and not, as previously, as a deduction from United Kingdom taxation.

BIRMINGHAM INDUSTRIAL TRUST LIMITED
AND ITS SUBSIDIARY
B.I.T. INVESTMENTS LIMITED

BALANCE SHEET — **31st DECEMBER, 1961**

1960 Parent Company £	1960 Parent Company £	1960 Consolidated £	1960 Consolidated £		Parent Company £	Parent Company £	Consolidated £	Consolidated £
				FIXED ASSETS, at cost:				
6,138		6,138		Office equipment and motor vehicle	6,584		6,584	
1,039		1,039		Less Accumulated depreciation	2,145		2,145	
	5,099		5,099			4,439		4,439
		118,582		Investments: Quoted (Market value, £172,928) (1960, £116,613)			162,924	
		6,000		Unquoted			6,000	
			124,582					168,924
			129,681					173,363
				SUBSIDIARY COMPANY:				
10,000				Shares at cost	10,000			
108,500				Advances	159,309			
	118,500					169,309		
				CURRENT ASSETS:				
—		—		Loans	219,850		219,850	
5,565		5,586		Debtors and accrued interest	4,788		4,810	
				Investments:				
47,588		47,588		Quoted, at market value	19,580		19,580	
—		—		Unquoted, at cost	60,620		60,620	
320,000		320,000		Short term deposits with Local Authorities	55,000		55,000	
28,765		29,995		Bank and cash balances	26,540		27,297	
401,918		403,169			386,378		387,157	
				CURRENT LIABILITIES:				
1,754		8,873		Creditors	6,962		7,019	
10,308		10,308		Taxation	6,365		6,365	
—		—		Proposed dividend	12,250		12,250	
				NOTE. The company has guaranteed the bank overdraft of a client company up to a maximum of £25,000.				
12,062		19,181			25,577		25,634	
	389,856		383,988	NET CURRENT ASSETS		360,801		361,523
	513,455		513,669			534,549		534,886
	3,200		3,200	Deduct Income tax 1962/63, due 1st January, 1963		9,550		9,550
	£510,255		£510,469	NET ASSETS		£524,999		£525,336
	500,000		500,000	SHARE CAPITAL: Authorised and issued: 500,000 shares of £1 each, fully paid		500,000		500,000
	—		—	CAPITAL RESERVE: Net surplus on sale of investments		—		233
				REVENUE RESERVES:				
	—		—	Special Reserve, distributions received free of tax	—		104	
	10,255		10,469	Unappropriated profits	24,999		24,999	
						24,999		25,103
	£510,255		£510,469	EVAN Ag. NORTON, K. G. RUDD } Directors		£524,999		£525,236

To avoid distortions from one year to another, Mr Brown says further, it is intended to include in the revenue account only such adjustments for previous year's taxes as may seem at a normal level and likely to recur. Exceptional adjustments, as for example on a change in the standard rate of income tax, will appear in the appropriation account.

In the ten-year summary of results which appears for the first time, earnings figures have been adjusted to the new basis and thus differ in some years from the figures published at the time.

Alliance now holds some 225 sterling ordinary and 120 dollar common stock investments. The number of its ordinary stockholders, it is interesting to note in following investment trends, rose in the year from under 7,000 to over 8,000.

Looking Back

IN a way, audit experience is timeless. Company law may change but the principles do not. And the difficulties of a past generation of auditors add their experience to the present.

This justifies a look-back on the affairs of the Fish-Oil and Guano Company whose directors, apologizing for their delay in issuing a report, blamed it in part on the refusal of the auditors, Messrs Stokes Brothers & Pim, to pass the accounts as originally submitted to them.

The directors maintained that the company's position was correctly shown in the balance sheet as originally drawn up and therefore printed it together with the accounts compiled by the auditors.

These facts are taken from *The Financial Times* feature 'Sixty Years Ago'. What the argument was all about is now lost in the mists of time. But it does help to harden the conviction – if ever it should be necessary – that there can come a time when a resolute stand on principle is necessary.

It was once written in *The Accountant*, of a deceased member of the profession, that he kept prominently on his desk a reminder of his watchword: 'If it is right, there is no other way.'

CITY NOTES

HAVING feared the worst the City was prepared to view the Budget – and particularly Mr Selwyn Lloyd's version of a capital gains tax – as a lot better than expected. Just how the speculative gains tax will affect the market can only be guessed at present.

The tendency will naturally be for shares to be held longer – on the basis that a speculator becomes an investor if shares are held for six months and a day. There will also be a tendency to sell shares which show a loss rather than nurse them for recovery.

It is in the new issue market, however, where the effect of the gains tax will be felt most. The 'stags' of new issues are likely to be frightened away and new issue underwriting may not be the sinecure that it normally is.

The tax aspect on rights offers may also enforce a change in industrial capital raising with an increasing emphasis on convertible loan stocks offered on a straightforward and not a rights basis.

The gains tax apart, the stock-market took the Budget in its stride, but the absence of any definite growth incentive from the Chancellor could make the equity market vulnerable to discouraging profit and dividend figures still to come. It remains to be seen to what extent the market is prepared to discount an election budget in a year's time.

RATES AND PRICES

Closing prices, Wednesday, April 11th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

June 23, 1960	6%	Oct. 5, 1961	$6\frac{1}{2}$%
Oct. 27, 1960	$5\frac{1}{2}$%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	$5\frac{1}{2}$%
July 26, 1961	7%	Mar. 22, 1962	5%

Treasury Bills

Feb. 2	£5 4s 4·93d%	Mar. 9	£5 0s 5·89d%
Feb. 9	£5 8s 0·74d%	Mar. 16	£4 17s 7·57d%
Feb. 16	£5 9s 10·81d%	Mar. 23	£4 9s 0·47d%
Feb. 23	£5 10s 7·47d%	Mar. 30	£4 8s 1·16d%
Mar. 2	£5 10s 11·26d%	April 6	£4 7s 4·62d%

Money Rates

Day to day	$3\frac{3}{8}$–$4\frac{3}{8}$%	*Bank Bills*	
7 days	$3\frac{1}{4}$–$4\frac{3}{8}$%	2 months	$4\frac{1}{2}$–$4\frac{9}{16}$%
Fine Trade Bills		3 months	$4\frac{1}{2}$–$4\frac{9}{16}$%
3 months	$5\frac{3}{4}$–$6\frac{1}{2}$%	4 months	$4\frac{1}{2}$–$4\frac{9}{16}$%
4 months	$5\frac{3}{4}$–$6\frac{1}{2}$%	6 months	$4\frac{1}{2}$–$4\frac{5}{8}$%
6 months	6–7%		

Foreign Exchanges

New York	2·81$\frac{1}{4}$–$\frac{1}{2}$	Frankfurt	11·24$\frac{3}{4}$–·25$\frac{1}{4}$
Montreal	2·95$\frac{1}{4}$–$\frac{1}{2}$	Milan	1746$\frac{1}{4}$–$\frac{3}{4}$
Amsterdam	10·12$\frac{3}{4}$–13$\frac{1}{4}$	Oslo	20·04$\frac{1}{4}$–$\frac{3}{4}$
Brussels	140·06$\frac{1}{4}$–$\frac{3}{4}$	Paris	13·78$\frac{5}{8}$–$\frac{7}{8}$
Copenhagen	19·38$\frac{3}{4}$–·39$\frac{1}{4}$	Zürich	12·23–$\frac{1}{4}$

Gilt-edged

Consols 4%	$62\frac{1}{2}$	Funding 3% 59–69	83
Consols $2\frac{1}{2}$%	$40\frac{3}{16}$	Savings 3% 60–70	$80\frac{1}{16}$
Conv'sion $5\frac{1}{4}$% 1974	$92\frac{15}{16}$	Savings 3% 65–75	$71\frac{1}{2}$
Conversion 5% 1971	$92\frac{1}{8}$	Savings $2\frac{1}{2}$% 64–67	$86\frac{9}{16}$
Conversion $3\frac{1}{2}$% 1969	$85\frac{15}{16}$	Treasury $5\frac{1}{2}$% 2008–12	$87\frac{7}{8}$
Conversion $3\frac{1}{2}$%	$54\frac{9}{16}$	Treasury 5% 86–89	$83\frac{3}{4}$
Exchequer $5\frac{1}{2}$% 1966	$99\frac{13}{16}$	Treasury $3\frac{1}{2}$% 77–80	$71\frac{1}{2}$
Funding $5\frac{1}{2}$% 82–84	$91\frac{7}{8}$	Treasury $3\frac{1}{2}$% 79–81	$70\frac{3}{16}$
Funding 4% 60–90	88	Treasury $2\frac{1}{2}$%	$39\frac{3}{4}$
Funding $3\frac{1}{2}$% 99–04	$60\frac{13}{16}$	Victory 4%	$96\frac{5}{8}$
Funding 3% 66–68	$85\frac{5}{8}$	War Loan $3\frac{1}{2}$%	$55\frac{15}{16}$

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Stock Valuation Reconsidered

SIR, – I read with interest the article on stock valuation by Professor Staubus in the March 10th issue of *The Accountant* and while I would support him on a number of points, I consider that he has introduced an unnecessary and erroneous complication into his argument.

Professor Staubus suggests that the most informative method of valuing inventory is one which takes future cash flow into consideration as much as possible. He then proceeds to distinguish between two types of stock, on the basis of the opportunity cost concept used by economists. This would require us to value stocks whose absence would result in loss of sales at their net realizable value, and those whose absence would cause us to purchase them later at replacement cost. Practical application of such a procedure would not be possible, as no objective method of differentiating between the two types of stock exists.

The whole concept of opportunity cost is, however, irrelevant. While it provides a useful tool for making decisions about the future and for evaluating past actions, it does not necessarily act as a measure of future cash flow. Once an item of stock-in-trade has been purchased the measure of the future cash flow arising from that purchase is the sale price of the stock, and therefore net realizable value is the only relevant method of measurement. The fact that purchase could have been postponed ceases to be important once the decision to purchase has been made.

This modification simplifies the arguments put forward in the article without invalidating any of the major conclusions.

Yours faithfully,

PETER J. DICKERSON.
Berkeley, California. B.SC.(ECON.), A.C.A.

Revaluation for Rates in 1963

SIR, – I was interested to read the article by Mr A. R. Ilersic under the title 'Fixing the rates', which appeared in *The Accountant* dated March 31st, 1962.

I note that in the table on page 379, Mr Ilersic uses the multiplier ×4 to convert current values of dwelling-houses to a 1963 basis and, from this multiplier, he deduces the factors to be applied to the other categories of rateable property.

It appears to me that, whereas the White Paper, rather misleadingly perhaps, adopts the multiplier of 4 for dwelling-houses, it does state that the 1956 and 1963 revaluations will bring the gross values of houses to about four times the *1939 figure*. As the 1956 revaluation resulted in an increase in the assessments of dwelling-houses of approximately 40 per cent the increase over current values in the 1963 revaluation would appear to be of the order of 2·8 per cent. Using this figure as a starting-point, the multipliers for the other categories would be approximately as follows: industrial – 4·1; shops and commercial – 2·4; miscellaneous – 2·2; and Crown – 2·2.

I feel that the comparison with the 1939 values is misleading, particularly as the proposed 1939 revaluation was never implemented, so that the values in force in 1939 were those introduced by the 1934 revaluation. The inclusion in the table on page 4 of the White Paper of rate-deficiency grant can also have a misleading effect since so many local authorities, like Cardiff, do not qualify for this grant.

Yours faithfully,

R. L. DAVIES, F.I.M.T.A.,
City Treasurer and Controller.
Cardiff.

[Mr Ilersic writes: Mr Davies is right. I was misled, as have been others, including one of the leading authorities on local government finance (see *Local Government Chronicle*, March 31st and April 7th), by the curious wording of paragraph 4 of the White Paper. Even when allowance is made for this arithmetical mistake, we are still left with the question how it is that, contrary to expectation and to the surprise of many in local government financial circles, that the 1963 valuation will not offset even in the slightest degree the highly preferential treatment afforded domestic property since 1956. Nevertheless, to the extent that my mistake determined my conclusions I must modify them accordingly.]

Valuation of Work in Progress in a Chartered Accountant's Practice

SIR, – We should be interested to have the views of your readers as to what should be the constituent parts of a work in progress valuation for a firm of chartered accountants having two or more partners.

In particular we wonder which of the following should be included or excluded:

(1) Direct cost (salaries, out of pocket expenses).
(2) Indirect cost (salaries, expenses, etc.).
(3) An allowance for partners' work.
(4) An allowance for accruing profit.

We should be interested to know whether it is considered a distinction should be made as between (*a*) completed jobs, and (*b*) incomplete work.

Yours faithfully,

W. I. P.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, April 4th, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President, in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. F. Allan, C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, J. E. Talbot, A. G. Thomas, A. H. Walton, V. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley, C.B.E.

Annual Report and Accounts for 1961

The annual report of the Council and the accounts of the Institute for the year 1961 were approved for issue to members of the Institute.

Committee on Relations with the Universities

The Council has appointed Mr S. Dixon, Mr J. S. Heaton, Mr R. G. Slack and Mr A. H. Walton to be additional members of the Committee on Relations with the Universities.

Report of the Education and Training Committee

The report of the committee has been considered in detail by the Council in the light of the comments made by the committees of the Council and the committees of the district societies. The Council has adopted in principle many of the recommendations made in the report and others are still under consideration. The relevant committees are considering the financial implications and the procedure and time-table for implementation. There will be consequential alterations to the Royal Charter and bye-laws. Meanwhile announcements will be made from time to time by the Council but no member, student or prospective student should take any course of action based on the assumption that a particular recommendation will be implemented.

In view of the increasing part being played by technical and commercial colleges within the educational system, the Council has decided to examine the scope for assistance from such colleges on a wider scale than is envisaged in the report of the Education and Training Committee.

Refusal to allow a Candidate to sit for Examinations

On an appeal made by an examination candidate under the procedure set out in bye-law 73, the Council confirmed a decision of the Examination Committee to refuse to allow him to present himself for examination on any subsequent occasion.

Registration of Articles

The Secretary reported the registration of 202 articles of clerkship during the last month, the total number since January 1st, 1962, being 707.

Admissions to Membership

The following were admitted to membership of the Institute:

Abdulla, Mohamed Hassanali, A.C.A., *a*1962; 40 Bushnell Road, London SW17.

Adams, Derek Stanley, A.C.A., *a*1962; 322 Liverpool Road, Birkdale, Southport.

Aderemi, Bamigbade Sijuwade Adebiyi, A.C.A., *a*1962; 100 Ashmore Road, London W9.

Adeyemo, Michael Adepoju, B.SC.(ECON.), A.C.A., *a*1962; 14 Montpelier Road, London W5.

Aggerwal, Jagdish Chandra, A.C.A., *a*1962; 7 Clanricarde Gardens, London W2.

Agballah, Hyacinth Okoli Petrus, A.C.A., *a*1962; P.O. Box 18, Udi, Nigeria.

Ahmad, Jamal Uddin, A.C.A., *a*1962; Top Floor, 'Kohinoor Manzil', Anderkilla, Chittagong, East Pakistan.

Alexandre, Keith John, A.C.A., *a*1962; 34 Forty Avenue, Wembley Park, Middlesex.

Al-Hafidh, Aziz Husain, B.SC.(ECON.), A.C.A., *a*1962; 41 Arthur Road, Holloway, London N7.

Allatt, John David, A.C.A., *a*1962; 18 St Ives Road, Skircoat Green, Halifax.

Allen, Benjamin James, A.C.A., *a*1962; 30 Holmfield Road, Stoneygate, Leicester.

Alsegaf, Husin, B.SC.(ECON.), A.C.A., *a*1962; 76 Broxash Road, London SW11.

Ambanpola, Ekanayaka Mudiyanselage Karunaratne Banda, B.SC.(ECON.), A.C.A., *a*1962; 1 Clanricarde Gardens, London W2.

Ambler, Keith, A.C.A., *a*1962; 10 Rushton Road, Thornbury, Bradford 3.

Anderson, John Victor Ronald, B.A., A.C.A., *a*1962; 'Tan-Y-Coed', Maenan, near Llanrwst, North Wales.

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a indicates the year of admission to the Institute.
aS indicates the year of admission to The Society of Incorporated Accountants.
§ Means 'incorporated accountant member'.
Firms not marked † or * are composed wholly of members of the Institute.
† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
†† Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Anderson, William Robert, A.C.A., *a*1962; 9 Woodbine Avenue, Gosforth, Newcastle upon Tyne 3.
Aplin, Eric Charles, A.C.A., *a*1962; 'Glencoe', Grange Road, Cookham, Maidenhead, Berks.
Appleyard, Keith Hardy, A.C.A., *a*1962; 37 Exeter Road, Southgate, London N14.
Arbib, Martyn, A.C.A., *a*1962; 'Holmwood', North Park, Gerrards Cross, Bucks.
Armstrong, Isaac Geoffrey, A.C.A., *a*1962; with Price Waterhouse & Co, The Royal Exchange, Manchester.
Arnold, Rodney David, A.C.A., *a*1962; 8 Jevons House, Hilgrove Road, London NW8.
Arthur, Brian John, A.C.A., *a*1962; 1 Lindisfarne Road, Copse Hill, London SW20.
Ashplant, David Charles, LL.B., A.C.A., *a*1962; with Alfred E. Pugh & Son, Carlton Chambers, High Street, Newport, Mon.
Atkins, David Hedley, B.A., A.C.A., *a*1962; c/o 12 Rue Des Grisons, Quebec 4, Canada.
Atkinson, Henry John, B.A., A.C.A., *a*1962; 27 Hillford Place, Earlswood, Redhill, Surrey.
Atkinson, Martyn Robert, A.C.A., *a*1962; 23 Endcliffe Grove Avenue, Sheffield 10.
Atkinson, Robert Bruce, A.C.A., *a*1962; 11 St Leonards Gardens, Hove, Sussex.
Atter, John Perkins, A.C.A., *a*1962; 'Lynwood', Station Road, East Leake, Loughborough, Leics.
Aucott, Thomas Harold, A.C.A., *a*1962; 37 Hervey Close, Finchley, London N3.
Ayres, Clifford Kenneth, A.C.A., *a*1962; 37 Pethybridge Road, Ely, Cardiff.

Bacon, John Francis, A.C.A., *a*1962; 14 Warrington Road, Paddock Wood, Tonbridge, Kent.
Baddeley, John Wolsey Beresford, A.C.A., *a*1962; 'Quintins', Watersfield, Pulborough, Sussex.
Bailey, Barrie Carr, A.C.A., *a*1962; 5 Greengates Avenue, Mapperley, Nottingham.
Bailey, Duncan Nicholls, A.C.A., *a*1962; 51 Fairlands Road, Sale, Cheshire.
Bailey, Robert, A.C.A., *a*1962; 10 Regent Drive, Fulwood, Preston.
Baird, Douglas Murray, M.A., A.C.A., *a*1962; 1 Wraysbury House, Wraysbury, Bucks.
Baitup, Peter Robin, A.C.A., *a*1962; 40 Furze Platt Road, Maidenhead, Berks.
Ball, Edward Stephen, A.C.A., *a*1962; 30 Cheltenham Avenue, Ipswich.
Balsdon, Michael John, A.C.A., *a*1962; 1 Square Park, Sutcombe, Holsworthy, Devon.
Bamford, David Malcolm, A.C.A., *a*1962; 191 Frederick Street, Oldham.
Bangor-Jones, Richard Stephen, A.C.A., *a*1962; Bank House, Limedale Road, Mossley Hill, Liverpool 18.
Bannister, Brian, B.COM., A.C.A., *a*1962; 7 Branksome Drive, Morecambe, Lancs.
Barber, Ian Millar, A.C.A., *a*1962; 148 Sandy Lane, Cheam, Surrey.
Barnett, Barry Ernest Charles, A.C.A., *a*1962; 43 Lancaster Grove, London NW3.
Barraclough, Keith, A.C.A., *a*1962; 359 Kensington Street, Duckworth Lane, Bradford, 8.
Barratt, John Bormond, A.C.A., *a*1962; 201 Creighton Avenue, East Finchley, London N2.
Barrett, John, A.C.A., *a*1962; 83 Cavendish Avenue, New Malden, Surrey.
Baston, (Miss) Patricia, A.C.A., *a*1962; 13 Middlegate, Loansdean, Morpeth, Northumberland.
Batch, Christopher Robin, A.C.A., *a*1962; 204 Bellingham Road, Catford, London SE6.
Bates, William, A.C.A., *a*1962; 21 Bakerdale Road, Bakersfields, Nottingham.
Batters, Royce, A.C.A., *a*1962; 4 Derby Road, Heaton Moor, Stockport.
Beardow, John Ernest, A.C.A., *a*1962; 24 Girlington Road, Bradford 8.
§Beattie, John Campbell, A.S.A.A., *a*1962; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London EC2.
Beighton, Philip, A.C.A., *a*1962; 37 Sivilla Road, Kilnhurst, near Rotherham.
Belk, Brian Henry, A.C.A., *a*1962; 14 Lichfield Road, Grimsby.
Belshaw, Hugh Richard, A.C.A., *a*1962; 7 Cambridge House, Teddington, Middlesex.
Ben-Nathan, Martin Joseph, B.A., A.C.A., *a*1962; 1 Oundle Court, Victoria Villas, London NW6.
Bennett, Ronald Alan, A.C.A., *a*1962; 13 Windermere Avenue, Merton Park, London SW19.
Bentley, Walter, A.C.A., *a*1962; 48 Clara Drive, Calverley, Pudsey, Yorks.
Benton, Geoffrey Gilbert, A.C.A., *a*1962; 22 Warren Avenue, Monkshill, South Croydon, Surrey.
Berks, Colin Edward, B.SC.(ECON.), A.C.A., *a*1962; 115 Conway Road, Southgate, London N14.
Berman, Brian Anthony, A.C.A., *a*1962; 80 The Vale, Golders Green, London NW11.
Berringer, John Francis, A.C.A., *a*1962; 24 Southview, Bromley, Kent.
Berry, Richard, A.C.A., *a*1962; 26 Gainsborough Road, Queens Park, Bournemouth.
Berry, Roger Neil, M.A., A.C.A., *a*1962; 32 Kingsley Road, Timperley, Cheshire.
Bestwick, Timothy Bembridge, A.C.A., *a*1962; 13 Rykneld Road, Littleover, Derby.
Bicknell, Christopher Guy, A.C.A., *a*1962; 285A Malden Road, North Cheam, Surrey.
Biel, Desmond Thomas, A.C.A., *a*1962; 96 Oval Road, East Croydon, Surrey.
Biggin, Charles Arnold John, A.C.A., *a*1962; 181 Millhouses Lane, Sheffield 7.
Blackburn, Geoffrey Reginald, A.C.A., *a*1962; 161 Hemdean Road, Caversham, Reading.
Blackley, David Quintin Lindsay, A.C.A., *a*1962; Kilkenny House, Cheddon Road, Taunton, Somerset.
Blake, Richard, A.C.A., *a*1962; 23 Grove Park Road, Weston-super-Mare.
Blandy, Richard Adam Pell, A.C.A., *a*1962; c/o Blandy Bros & Co Ltd, 3 London Wall Buildings, London EC2.
Blow, Michael Roy, A.C.A., *a*1962; 7 Leaford Crescent, Watford, Herts.
Boardman, Peter John, A.C.A., *a*1962; 91 Windy Arbour, Kenilworth, Warwicks.
Bobroff, Alan Harvey, A.C.A., *a*1962; 10 Rowden Avenue, London NW10.
Bodicoat, Alan Charles, A.C.A., *a*1962; 5 Howard Road, Glen Hills, Leicester.
Bolton, Trevor George Walter, A.C.A., *a*1962; 4 Summerdale Road, Hove 4, Sussex.
Boothroyd, Brian, A.C.A., *a*1962; 10 Wiggan Lane, Sheepridge, Huddersfield.
Boothroyd, Malcolm Robert, B.SC.(ECON.), A.C.A., *a*1962; 11 Allerton Road, Southport.
Bose, Sankar, A.C.A., *a*1962; 87 Park Lane, Croydon, Surrey.
Bouch, William David, A.C.A., *a*1962; with Annan, Dexter & Co, 21 Ironmonger Lane, London EC2.
Boud, Trevor Edward, A.C.A., *a*1962; 138 Hicks Avenue, Perivale, Greenford, Middlesex.
Bowman, Jeffery Haverstock, B.A., A.C.A., *a*1962; 'Nagaskande', Mount Avenue, Hutton, Essex.
Bown, John Anthony, A.C.A., *a*1962; 35 Dukes Drive, Newbold, Chesterfield.
Boyall, Michael, A.C.A., *a*1962; 59 Redesdale Gardens, Isleworth, Middlesex.
Braid, William Robert, A.C.A., *a*1962; 61 Wodeland Avenue, Guildford, Surrey.
Braithwaite, Geoffrey Doncaster, A.C.A., *a*1962; 6 The Glen, Blackwell, Bromsgrove, Worcs.
Brakell, John Russell, A.C.A., *a*1962; 12 The Crescent, Wells Estate, Epsom, Surrey.

Bresnark, Lawrence, A.C.A., *a*1962; 25 Linthorpe Road, Stamford Hill, London N16.
Brett, John, A.C.A., *a*1962; 2 Aire View, Yeadon, Leeds.
Bridge, Alan Peter, A.C.A., *a*1962; 4 West Close, Eccleston Park, Prescot, Lancs.
Bridgehouse, Edward, A.C.A., *a*1962; 200 Talbot Road, Hyde, Cheshire.
Briggs, John Charles, A.C.A., *a*1962; 42 Garside Avenue, Sutton-in-Ashfield, Notts.
Briston, Richard Jeremy, B.SC.(ECON.), A.C.A., *a*1962; 22 Cornwall Road, London N4.
Broadbent, Alan Shaw, A.C.A., *a*1962; 17 Bermans Way, Neasden, London NW10.
Broadhurst, Ian Kevan Averill, A.C.A., *a*1962; 115 Cauldon Road, Shelton, Stoke-on-Trent.
Brodie, Maurice Harvey, A.C.A., *a*1962; 9 Alderton Crescent, Hendon Central, London NW4.
Brown, Kenneth Robert, A.C.A., *a*1962; 3 Haxted Gardens, Garston, Liverpool 19.
Brown, Roger Henry, A.C.A., *a*1962; 547 Gloucester Road, Horfield, Bristol 7.
Brown, Ronald Geoffrey, A.C.A., *a*1962; 5 Marchmount Road, Wylde Green, Sutton Coldfield, Warwicks.
Brown, Roy David, A.C.A., *a*1962; 61 Belmont Avenue, Blackpool.
Brunskill, William Alan, A.C.A., *a*1962; 89 Currock Road, Carlisle.
Bull, Christopher, A.C.A., *a*1962; 8 Ashley Road, Taunton, Somerset.
Burton, Peter William, A.C.A., *a*1962; 208 Devonshire Road, Forest Hill, London SE23.
Burton, Stuart, A.C.A., *a*1962; 20 Hazel Grove, Hereford.
Buswell, (Miss) Janice Mary, A.C.A., *a*1962; 18 Oxlea Road, Torquay.
Buswell, Keith Malcolm, A.C.A., *a*1962; 'Gythion', Wade Court Road, Havant, Hants.
Butt, Brian Mervyn, A.C.A., *a*1962; 47 Ridgeway Road, Long Ashton, Bristol.
Butt, Mohammad Iqbal, A.C.A., *a*1962; 104 Kingsley Terrace, Newcastle upon Tyne 4.
Button, Michael Hugh Norman, A.C.A., *a*1962; 11 Middleton Crescent, Beeston, Nottingham.
Byng, Graham Godfrey, A.C.A., *a*1962; 5 Holly Road, Sidemoor, Bromsgrove, Worcs.

Cable, John Michael, A.C.A., *a*1962; 'Woodhill', Ormes Lane, Compton, Wolverhampton.
Caines, Geoffrey Harold, A.C.A., *a*1962; 18 Regal Way, Preston Hill, Harrow, Middlesex.
Cairncross, Peter, A.C.A., *a*1962; 3 Collingwood Avenue, Wallsend, Northumberland.
Caldwell, Robert Gervase, B.A., A.C.A., *a*1962; 49 West Avenue, Stockton Heath, near Warrington.
Campbell, David, A.C.A., *a*1962; 19 Kenilworth Square, Smithills, Bolton.
Canning-Byrd, (Miss) Caroline, A.C.A., *a*1962; c/o Westminster Bank Ltd, St Helier, Jersey, C.I.
Capon, David Jethro, A.C.A., *a*1962; 50 Days Lane, Sidcup, Kent.
Cappin, Michael Benedict, A.C.A., *a*1962; 22 Riverside Drive, London NW11.
Carr, John David, B.SC.(ECON.), A.C.A., *a*1962; 37 Booker Avenue, Mossley Hill, Liverpool 18.
Carter, John David Owen, A.C.A., *a*1962; with James Carter & Sons, 14 Wood Street, Bolton.
Case, Harold Edwin, B.COM., A.C.A., *a*1962; 82 City Road, Edgbaston, Birmingham 16.
Caseley, Ronald, A.C.A., *a*1962; 34 Rushford Road, Crofton Park, London SE4.
Cash, Peter Withiel Trevor, A.C.A., *a*1962; 'Rauhala', Binton, Stratford-on-Avon.
Cassidy, Peter George, A.C.A., *a*1962; 10 Graham Road, Dalston, London E8.
Cattell, Michael Anthony Perrier, A.C.A., *a*1962; 16 Methuen Road, Bournemouth.
Catty, Jonathan, A.C.A., *a*1962; 42 Queens Court, Queens Road, Richmond, Surrey.
Chaffe, John Anthony, A.C.A., *a*1962; 19 Cranmere Road, Higher Compton, Plymouth.
Chan, (Miss) Mei Lee, A.C.A., *a*1962; 7 Hampden Place, Frogmore, Herts.
Chandley, Charles William Duncan, A.C.A., *a*1962; 26 Derby Road, Heaton Moor, Stockport.
Chapman, Kenneth, A.C.A., *a*1962; 20 Chigwell Road, South Woodford, London E18.
Cheetham, Richard Froggatt, A.C.A., *a*1962; Old Manor House, Farnsfield, Newark, Notts.
Cheshire, Brian Leonard Edward, A.C.A., *a*1962; with Barratt, Brown & Co, Crowhurst Road, Hollingbury, Brighton 6.
Child, Robin John Foulds, A.C.A., *a*1962; 'Rosemont', School Hill, Findon, Sussex.
Chown, (Miss) Claudeen Mary, A.C.A., *a*1962; 'Uplands', Upminster Common, Essex.
Clark, Anthony David, A.C.A., *a*1962; 'Oldway', St German's Road, Callington, Cornwall.
Clark, Kenneth Gerald, A.C.A., *a*1962; 315 Reigate Road, Epsom Downs, Surrey.
Clarke, Frank, A.C.A., *a*1962; 77 Mellor Lane, Mellor, near Blackburn.
Cloke, David John, A.C.A., *a*1962; 179 Kingsway, Braunstone, Leicester.
Cluett, Norman Vivian, A.C.A., *a*1962; 2A Ronald Park Avenue, Westcliff-on-Sea, Essex.
Cochrane, Malcolm Farrar, A.C.A., *a*1962; 'Culzean', Stocksfield, Northumberland.
Cohen, Alan Peter, A.C.A., *a*1962; 73 New Park Avenue, Palmer's Green, London N13.
Cohen, Harry, A.C.A., *a*1962; 200 Southend Road, Woodford Green, Essex.
Cole, George Lawrence Crozier, M.A., A.C.A., *a*1962; 3 Penn Lea Road, Bath.
Cole, Richard Arthur, A.C.A., *a*1962; Flat 2, 15 Medina Villas, Hove, Sussex.
Collis, Harvey Jack, A.C.A., *a*1962; 12 Greenhill, Wembley Park, Middlesex.
Comley, Brian Beeche, A.C.A., *a*1962; 72 New Road, Porthcawl, Glam.
Connolly, Patrick Joseph, B.A., A.C.A., *a*1962; 122 New River Crescent, Palmer's Green, London N13.
Connor, Bryan Kitson, A.C.A., *a*1962; 207 Hurst Road, Sidcup, Kent.
Constantine, Michael Denis, A.C.A., *a*1962; 5 Dudley Road, Tunbridge Wells.
Cooke, Anthony John, A.C.A., *a*1962; 23 Wood Lane, Streetly, Sutton Coldfield, Warwicks.
Coomer, Michael David Litton, A.C.A., *a*1962; 52 Hawthorn Lane, Wilmslow, Cheshire.
Cooper, Alan, A.C.A., *a*1962; 97 Cambridge Heath Road, London E1.
Cooper, Brian David, A.C.A., *a*1962; 2 Patterdale Road, Liverpool 15.
Cooper, John Neville, A.C.A., *a*1962; 75 Christchurch Street, Ipswich.
Corbett, John Edmund, A.C.A., *a*1962; 25 Keswick Road, Solihull, Warwicks.
Cordes, Leslie George, A.C.A., *a*1962; 74 Grenville Gardens, Woodford Green, Essex.
Cordwell, Robin Richard, A.C.A., *a*1962; 86 Ducks Hill Road, Northwood, Middlesex.
Corney, Patrick, A.C.A., *a*1962; 6 Broad Oaks Road, Solihull, Warwicks.
Coulthard, Brian Dawson, A.C.A., *a*1962; 32 Orchard Gardens, Lowfell, Co. Durham.
Cowin, David Michael, A.C.A., *a*1962; 11 Oakfield Road, Brettell Lane, Stourbridge, Worcs.
Cowtan, Anthony Richard Ogle, A.C.A., *a*1962; 'Greenacre', Green Lane, Buxton, Derbyshire.
Cox, Adrian Robert Eustace, A.C.A., *a*1962; 10 Queensbury Place, London SW7.

Cox, Alan Robert, A.C.A., *a*1962; 39 Scott Ellis Gardens, St John's Wood, London NW8.
Cox, John David, A.C.A., *a*1962; with A. C. Palmer & Co, 45 Sheep Street, Northampton.
Cox, John Stanley, A.C.A., *a*1962; 87 Bourne Way, Hayes, Bromley, Kent.
Coxon, Peter James Edward, A.C.A., *a*1962; 9 Keswick Avenue, Merton Park, London SW19.
Cropper, Anthony Graham, A.C.A., *a*1962; 24 Church Hill, Penn, Wolverhampton.
Crosland, John Michael Cowen, A.C.A., *a*1962; 7 Hazel Grove, Bradley Bar, Huddersfield.
Crossfield, (Miss) Judith, A.C.A., *a*1962; 'Bimport', Alverstone Road, Whippingham, East Cowes, I.W.
Crossley, Albert Norman, A.C.A., *a*1962; 19 Windsor Road, Hazel Grove, Stockport.
Croxford, David, A.C.A., *a*1962; 15 Milner Road, Morden, Surrey.
Cuerden, Alan, A.C.A., *a*1962; 16 Leafield Close, Sheepridge, Huddersfield.
Culling, David Arthur, A.C.A., *a*1962; 21 Westbury Road, Northwood, Middlesex.
Cullingham, James David Herbert, B.A., A.C.A., *a*1962; 158 Woodwarde Road, East Dulwich, London SE22.

DaCosta, Philip Walter, A.C.A., *a*1962; 19 Norcott Road, Stoke Newington, London N16.
Dainty, James Rowland, A.C.A., *a*1962; 103 Victor Street, Caldmore, Walsall.
Dalling, Brian John, A.C.A., *a*1962; The Bridge House, Wineham, Henfield, Sussex.
Dalziel, Colin Robert, A.C.A., *a*1962; 152 Park Road, West Hartlepool, Co. Durham.
Dane, David Avenell Spencer, A.C.A., *a*1962; 2 Amberley Gardens, Stoneleigh, Epsom, Surrey.
Darbyshire, Brian, A.C.A., *a*1962; 23 Gathurst Road, Orrell, near Wigan.
Darbyshire, Michael John, A.C.A., *a*1962; 6 Selborne Place, Littlehampton, Sussex.
Davies, Anthony Warren, A.C.A., *a*1962; 92 Manor Road, Chigwell, Essex.
Davies, John William Clark, A.C.A., *a*1962; Vicarage Flat, Bosbury, near Ledbury, Herefordshire.
Davies, Tudor John, A.C.A., *a*1962; 47 Warwick Square, London SW1.
Davy, Terence Humphrey, A.C.A., *a*1962; c/o Y.M.C.A., The Avenue, Southampton.
§Dawson, Geoffrey William Vernon, A.S.A.A., *a*1962; Flat C, 2 Dulwich Wood Avenue, London SE19.
de Buriatte, Paul Edward Beresford, A.C.A., *a*1962; Clay Hill House, Clay Hill, Enfield, Middlesex.
de Putron, Ronald Anthony, A.C.A., *a*1962; 'Le Sapin', Calais Lane, St Martin's, Guernsey, C.I.
Deva, Surendra, A.C.A., *a*1962; P.O. Sugar Factory, Nawabganj (District Gonda), U.P., India.
Devani, Kishor Mathuradas, A.C.A., *a*1962; 24 Dani Sadam, 113 Walkeshwar Road, Bombay 6, India.
D'Haenens, (Miss) Christine, A.C.A., *a*1962; 32 Claremont Road, Darlington.
Diamond, Martin, B.A., A.C.A., *a*1962; 36 Dartmouth Park Road, London NW5.
Diaper, Colin Malcolm, A.C.A., *a*1962; 175 Pear Tree Avenue, Bitterne, Southampton.
Dickenson, Maurice, A.C.A., *a*1962; 154 Roker Avenue, Sunderland.
Dineen, Terance John, A.C.A., *a*1962; 33 St Helier Drive, Port Talbot, Glam.
Dobbs, James Anthony Vaughan, A.C.A., *a*1962; 10 Clareville Grove, London SW7.
Dodd, Michael John Ruthven, A.C.A., *a*1962; 16 Bridge Street, Christchurch, Hants.
Dore, Beverley John, A.C.A., *a*1962; 62 Firs Lane, Winchmore Hill, London N21.
Dobkin, Ronald, A.C.A., *a*1962; 39 Woodgrange Road, Forest Gate, London E7.
Dornton, John Patrick, A.C.A., *a*1962; 17 Ashbourne Road, Ealing, London W5.
Douglas, Bryan Kenneth, A.C.A., *a*1962; 'Tamara', Croft Drive East, Caldy, Cheshire.
Downes, James Henry, A.C.A., *a*1962; 53 Sotheby Avenue, Sutton-in-Ashfield, Notts.
Downs, Andrew Peverly, A.C.A., *a*1962; 'Aston', The Avenue, Petersfield, Hants.
Dowse, Paul Barry, A.C.A., *a*1962; Dorothy Avenue, Thorne, near Doncaster.
Drew, Dan Hamilton, A.C.A., *a*1962; 'Byways', Lodsworth, Petworth, Sussex.
Drewitt, Lionel Frank, B.SC.(ECON.), A.C.A., *a*1962; 217 Richmond Road, Twickenham, Middlesex.
Duncan, David Richard Louis, A.C.A., *a*1962; 31 Addison Place, London W1.
Duncan, George, B.SC.(ECON.), A.C.A., *a*1962; 306B Park Road, London, N8.
Dyer, William Edward James, A.C.A., *a*1962; 13 The Croft, Swanley, Kent.
Dyson, Melvyn Paul, A.C.A., *a*1962; 41 Moorland Drive, Leeds 17.

Eagle, Alan Reginald, A.C.A., *a*1962; 114 Manor Road North, Hinchley Wood, Esher, Surrey.
East, David Henry, A.C.A., *a*1962; 35A Southampton Road, London NW5.
East, Peter Barnard, A.C.A., *a*1962; 55 Well Street, Brightlingsea, Colchester, Essex.
Easthill, Henry John Dowson, A.C.A., *a*1962; 51 Gowan Avenue, Fulham, London SW6.
Eddison, David William, B.A.(ECON.), A.C.A., *a*1962; 26 Bina Gardens, London SW5.
Edet, Bassey Okon, A.C.A., *a*1962; 6 Chesham Place, Brighton 7, Sussex.
Edet, Charles Igoniko, B.A., A.C.A., *a*1962; c/o The Board of Inland Revenue, Private Mail Bag 2600, Mosaic House, Tinubu Square, Lagos, Nigeria.
Edwards, Raymond Brunton, B.COM., A.C.A., *a*1962; 32 Oatlands Drive, Harrogate.
Eldridge, Colin Maurice Julian, A.C.A., *a*1962; 6 Oakfield Street, London SW10.
Elias, Edward Anthony, A.C.A., *a*1962; 'Elmhurst', Wood Road, Tettenhall, Wolverhampton.
Elliott, Michael William, A.C.A., *a*1962; 105 Shortridge Terrace, Jesmond, Newcastle upon Tyne 2.
Ellis, Donald John, A.C.A., *a*1962; 28 Mygrove Gardens, Rainham, Essex.
Elsmore, Robert John, A.C.A., *a*1962; 47 Wyvern Road, Sutton Coldfield, Warwicks.
Elsom, John Michael, A.C.A., *a*1962; Hall Farm, Cotes, near Loughborough, Leics.
Emanuel, Geoffrey Roland, A.C.A., *a*1962; with John F. Harvey & Sons, 4 Princess Way, Swansea.
Emin, Stephen Paul, A.C.A., *a*1962; 35 Kingsley Court, St Paul's Avenue, London NW2.
Eustace, Dudley Graham, B.A.(ECON.), A.C.A., *a*1962; 77 Victoria Rise, North Side, London SW4.
Evans, Clifford, A.C.A., *a*1962; 82 Longhill Road, Catford, London SE6.
Evans, David Cavers, A.C.A., *a*1962; 47 Redcar Lane, Redcar, Yorks.
Evans, Paul Anthony, A.C.A., *a*1962; 1 Glen Close, Langford Norton Fitzwarren, Taunton, Somerset.
Evans, Peter Brian, A.C.A., *a*1962; 7 Greenback Lane, Worsley, near Manchester
Evans, Stanley Eric, A.C.A., *a*1962; 30 Alderbrook Road, Solihull, Warwicks.

Faithful, Peter David, A.C.A., *a*1962; 28 Tarnwood Park, Court Road, Eltham, London SE9.
Fallick, John William, A.C.A., *a*1962; 73 The Avenue, Southampton.
Fay, Michael Roberts, A.C.A., *a*1962; 17 Ella Street, Newland Avenue, Hull.

Fell, Richard Archer, A.C.A., *a*1962; Albion Lodge, Wellington Street, Newmarket, Suffolk.
Fisher, Bernard James, A.C.A., *a*1962; 196 Whitehill Road, Hitchin, Herts.
Flower, Alan Henry, A.C.A., *a*1962; 65 Church Drive, Kingsbury, London NW9.
Floyd, Richard Eaglesfield, A.C.A., *a*1962; 1 Friends Road, Purley, Surrey.
Fone, (Miss) Valerie, A.C.A., *a*1962; 68 Monkhams Avenue, Woodford Green, Essex.
Forster, Robert Edward, A.C.A., *a*1962; 23 Milton Avenue, Highgate, London N6.
Foster, David, A.C.A., *a*1962; 21 Ludlow Avenue, Luton, Beds.
Foster, Joseph Christopher, A.C.A., *a*1962; 16 West End Close, Horsforth, Leeds.
Foster, Michael Albert, A.C.A., *a*1962; 47A Madeira Road, Holland-on-Sea, Essex.
Fowler, Reginald Frederick, A.C.A., *a*1962; 4 Gordon Road, Grays, Essex.
Fox, Gordon, A.C.A., *a*1962; 298 Wood Road, Chaddesden, Derby.
Fox, Thomas George, A.C.A., *a*1962; 50 Foxwood Avenue, Great Barr, Birmingham 22A.
Frame, Malcolm Henry, A.C.A., *a*1962; 101 Hollyshaw Lane, Whitkirk, Leeds 15.
Franks, Alexander, A.C.A., *a*1962; 161 Kyverdale Road, London N16.
Freegard, Francis Edward Charles, A.C.A., *a*1962; 22 Barrowby Avenue, Austhorpe, Leeds 15.
Freeman, Alec John, A.C.A., *a*1962; 8 Woodstock Road North, St Albans, Herts.
Freeman, Laurence, A.C.A., *a*1962; 60 Marston Gardens, Luton.
Freeman, Roger Oswald Oldaker, A.C.A., *a*1962; 24 The Avenue, Loughton, Essex.
Freer, Edward Frederick, A.C.A., *a*1962; 24 Stonor Road, London W14.
§Frizzle, Walter, A.S.A.A., *a*1962; 151 Suttons Dwellings, Barrack Road, Newcastle upon Tyne 4.
Frost, Peter Anselm, A.C.A., *a*1962; 61 Woodsland Road, Hassocks, Sussex.
Funnell, Brian Horace, A.C.A., *a*1962; 112 Ashburnham Road, Hastings.
Furby, Derek John, A.C.A., *a*1962; 27 Nightingale Lane, London SW12.

Gafny, Nissan, A.C.A., *a*1962; 1 Brockleyside, Stanmore, Middlesex.
Galliano, James Patrick, A.C.A., *a*1962; 46 Beaufort Gardens, London SW3.
Ganguli, Amal, A.C.A., *a*1962; 4 Issur Dutt Lane, Howrah, West Bengal, India.
Garrett, Alan Charles, M.A., A.C.A., *a*1962; with Albert J. Pope & Son, 7 Alfred Street, Bath.
Garrod, John Albert, A.C.A., *a*1962; 13 Hamilton Road, Southsea, Hants.
Gates, Roger David, A.C.A., *a*1962; Bourne Cottage, Weeford, near Lichfield, Staffs.
Geary, Edmond, A.C.A., *a*1962; 83 Barnabas Road, Homerton, London E9.
Gee, David, A.C.A., *a*1962; 7 Baythorpe Street, Bolton.
Gee, Michael Joseph, A.C.A., *a*1962; c/o Cecil Gee Group of Companies, 228–230 Edgware Road, London W2.
Gent, Eric Ernest, A.C.A., *a*1962; 11 Deniston Avenue, Bexley, Kent.
Geoghegan, Anthony Thomas Nucheze, A.C.A., *a*1962; 7 Devonshire Terrace, Bradford 9.
George, Brian Frederick, A.C.A., *a*1962; 33 Woodside Road, New Malden, Surrey.
George, Michael David, B.COM., A.C.A., *a*1962; 'Sariakos', Caldy Road, Caldy, Wirral, Cheshire.
Gibbins, George Charles, A.C.A., *a*1962; 40 Preston Drive, Wanstead, London E11.
Gibbs, Roy Clifford, A.C.A., *a*1962; 'Holmleigh', Victory Avenue, Laindon, Basildon, Essex.
Gill, David Greatorex, A.C.A., *a*1962; 21 Leopold Avenue Handsworth Wood, Birmingham 20.
Gillespie, David, A.C.A., *a*1962; Grange Corner, 2 Grange Road, Barnes, London SW13.
Glover, David Barrie, A.C.A., *a*1962; 105 Leigh Hall Road, Leigh-on-Sea, Essex.
Goh, Tieng Tak, A.C.A., *a*1962; 55 Gloucester Place, London W1.
Gold, Henry Patrick, A.C.A., *a*1962; 18 Sussex Place, London W2.
Goldberg, Jeremy Michael, A.C.A., *a*1962; Watergall Cottage, Wade Court, Havant, Hants.
Goldstone, Anthony Stewart, B.A.(COM.), A.C.A., *a*1962; 12 Elm Road, Manchester 20.
Goodgame, Ivor William, A.C.A., *a*1962; 70 Normandy Crescent, Cowley, Oxford.
Goodwin, Timothy Robert Thomas, A.C.A., *a*1962; 19 Kensington Place, London W8.
Gordon, David John, A.C.A., *a*1962; 50 Chigwell Rise, Chigwell, Essex.
Gordon, Ian, A.C.A., *a*1962; with S. W. Telfer, 33 Clayton Street, Newcastle upon Tyne 1.
Gorman, Joseph Michael, A.C.A., *a*1962; 212 Goldhawk Road, Shepherds Bush, London W12.
Gough, Anthony Jobson, A.C.A., *a*1962; 7 Longlands, Hexham, Northumberland.
Goulding, Kenneth John, A.C.A., *a*1962; 29 Fifth Avenue, Oozewood, Royton, Oldham.
Graham, Anthony Michael, A.C.A., *a*1962; 32 Manor House Drive, Brondesbury, London NW6.
Grainge, Paul, A.C.A., *a*1962; 123 Fern Hill Road, Cowley, Oxford.
Gray, Stephen Marius, B.A., A.C.A., *a*1962; Flat 1, 7 Windmill Drive, London SW4.
Green, David Harold, A.C.A., *a*1962; 115 Torquay Road, Paignton, Devon.
Green, David Leslie Thomas, A.C.A., *a*1962; 254 Studfall Avenue, Corby, Northants.
Green, Peter Alexander Wells, A.C.A., *a*1962; 3 Oak Avenue, Chorlton-cum-Hardy, Lancs.
Greenfield, Graham John, A.C.A., *a*1962; 11 Waggon Street, Old Hill, Staffs.
Griffin, Stephen Allan, A.C.A., *a*1962; 23 Orchard Grange, Saughall Massie, Moreton, Wirral, Cheshire.
§Greenway, Douglas Harold, A.S.A.A., *a*1962; 4 Singmore Road, Marldon, Paignton, Devon.
Gregory, Derek Edward, A.C.A., *a*1962; 24 Quarry Hill Road, Ilkeston, Derbyshire.
Griffiths, John Hugh Colin, A.C.A., *a*1962; 47 Downs Wood, Epsom Downs, Surrey.
Grimditch, Kenneth Frederick, A.C.A., *a*1962; 3 Mossway, Alkrington, Middleton, Manchester.
Groom, Brian, A.C.A., *a*1962; 19 Coniston Road, Addiscombe, Croydon, Surrey.
Gropper, Edward Stephen, B.A.(COM.), A.C.A., *a*1962; 6 Heaton Grove, Bradford 9.
Grove, John Malcolm, A.C.A., *a*1962; 67 The Broadway, Dudley, Worcs.
Grover, Paul John, A.C.A., *a*1962; 26 Hazel Close, Brentford, Middlesex.
Groves, Trevor, A.C.A., *a*1962; 40 Warminster Crescent, Sheffield 8.

Habbits, David Arthur Victor, A.C.A., *a*1962; 10 Castle Lane, Chandlers Ford, Hants.
Hackney, John Procter, A.C.A., *a*1962; 136 Bye Pass Road, Chilwell, Notts.
Hainsworth, Peter, A.C.A., *a*1962; 36 Broad Lane, Leeds 13.
Halford, Miles Benjamin David, B.A., A.C.A., *a*1962; 6E Observatory Gardens, London W8.
§Hall, Holden, A.S.A.A., *a*1962; 92 South Palmerston Street, South Shields, Co. Durham.
Hall, Stephen Roderick, A.C.A., *a*1962;; 97 The Ridgeway, Northaw, Potters Bar, Middlesex.
Hamilton, Julian Edward, A.C.A., *a*1962; 'The Knowe', Woodland Drive, Mapperley Park, Nottingham.

Hamilton, Kenneth James, LL.B., A.C.A., *a*1962; 66 Camp Hill Road, Worcester.
Hampton, Richard Charles, A.C.A., *a*1962; 30 Oakleigh Park South, Friern Barnet, London N20.
Hands, Richard, A.C.A., *a*1962; 37 Russell Hill Road, Purley, Surrey.
Harding, Thomas, A.C.A., *a*1962; 80 Millfield Lane, Hull Road, York.
Hardy, Malcolm Keith, A.C.A., *a*1962; 128 Overton Drive, Wanstead, London E11.
Harlow, Ian Philip, A.C.A., *a*1962; 111 Etherington Road, Beverley High Road, Hull.
Harman, Nigel James, A.C.A., *a*1962; 48 Quarry Park Road, Cheam, Surrey.
Harmer, Anthony Edward Martin, A.C.A., *a*1962; 206 Cambridge Road, Great Shelford, Cambridge.
Harris, Jack, A.C.A., *a*1962; 65 'Tarranbrae', Willesden Lane, London NW6.
Harris, Raymond Ian, A.C.A., *a*1962; 13 Reddings Close, Mill Hill, London NW7.
Hart, Eugene Edward, A.C.A., *a*1962; 7 The Rise, London N13.
Harte, Charles Shaun, A.C.A., *a*1962; Ross Hill, Fallibroome, Prestbury, Cheshire.
Hartley, Charles Thomas Michael, A.C.A., *a*1962; 'Santa Cruz', Westbourne Drive, Douglas, I.o.M.
Hartshorn, Anthony Clive, A.C.A., *a*1962; 325 Holyhead Road, Coventry, Warwicks.
Hatt, Brian John, A.C.A., *a*1962; 25 Longmore Avenue, East Barnet, Herts.
Harty, Christopher John, A.C.A., *a*1962; 2 Gayton Road, Hampstead, London NW3.
Haviland-Nye, Anthony, A.C.A., *a*1962; 36 Manor Road South, Esher, Surrey.
Haw, Peter John, A.C.A., *a*1962; 707 Shadwell Lane, Shadwell, Leeds 17.
Hawkins, Christopher Allan, A.C.A., *a*1962; 175 Bridgewood Road, Worcester Park, Surrey.
Hay, James Alexander, A.C.A., *a*1962; 21 Kingsway, Crewe.
Hay, John, A.C.A., *a*1962; with W. T. Walton & Son, 9 Rumford Street, Liverpool 2.
Hayes, Alan, A.C.A., *a*1962; 17 Hillcrest Road, Langho, Blackburn.
Hayes, Edmund Joseph, A.C.A., *a*1962; 11 St James Road, Hereford.
Headland, Anthony Thomas Paget, A.C.A., *a*1962; 26 Courtlands Avenue, Lee Green, London SE12.
Heath, David Harold, A.C.A., *a*1962; 190 Utting Avenue, Anfield, Liverpool 4.
Heckscher, Albert Richard, B.SC.(ECON.), A.C.A., *a*1962; 27 Gresham Gardens, London NW11.
Helliwell, Peter George William, A.C.A., *a*1962; 13 Clapton Square, Hackney, London E5.
Hendries, Michael Andrew Hugh, A.C.A., *a*1962; 32 Bromley Road, Beckenham, Kent.
Henshaw, John, B.COM., A.C.A., *a*1962; 6 Hollies Drive, Edwalton, Nottingham.
Henson, Peter Robert Voice, A.C.A., *a*1962; 7 Frobisher Close, Pinner, Middlesex.
Heptonstall, George Austin, A.C.A., *a*1962; 21 Kenmore Road, Bradford 6.
Hewitson, John David, A.C.A., *a*1962; 3 Vicarage Road, Davyhulme, Manchester.
Hewitt, Anthony William, A.C.A., *a*1962; 41 Wenlock Road, Handsworth, Birmingham 20.
Hewitt, Peter Smethurst, A.C.A., *a*1962; 82 Graeme Road, Enfield, Middlesex.
Hill, Anthony John, A.C.A., *a*1962; Copse Hall, Brent Knoll, Somerset.
Hill, Peter Bertram, A.C.A., *a*1962; 10 Tarbet Road, Dukinfield, Cheshire.
Hillier, Gordon Lawrence William, A.C.A., *a*1962; 54 Pembroke Road, Bromley, Kent.
Hillman, Philip Samuel, A.C.A., *a*1962; 2 Hadley Court, Cazenove Road, London N16.
Hilton, John, A.C.A., *a*1962; 52 Cemetery Road, Audenshaw, Manchester.
Hilton, Rodney, A.C.A., *a*1962; 78 Somerset Avenue, Luton, Beds.
Hindle, Paul Anthony, A.C.A., *a*1962; 41 Beechwood Avenue, Wibsey, Bradford 6.
Hine, Henry, A.C.A., *a*1962; 'The Laurels', Englefield Green, Surrey.
Hine, Peter Guy, A.C.A., *a*1962; 7 Kenyon Mansions, Queen's Club Gardens, London, W14.
Hipkiss, Robert Richard, A.C.A., *a*1962; 87 Heath Road, Penketh, Warrington.
Hirshman, Geoffrey Robin, A.C.A., *a*1962; 94 Harrowdene Road, Wembley, Middlesex.
Hirst, David Brian Addis, A.C.A., *a*1962; with Cooper Brothers & Co, Abacus House, 33 Gutter Lane, Cheapside, London EC2.
Hix, Ralph Edward, A.C.A., *a*1962; 49 Station Road, Long Sutton, near Spalding Lincs.
Hobbs, Brian William, A.C.A., *a*1962; 258 Harehills Lane, Leeds 9.
Hodgson, John Michael, M.A., A.C.A., *a*1962; 3 Alexandra Road, Botley Road, Oxford.
Holden, David Graham, A.C.A., *a*1962; 12 Vicarage Road, East Sheen, London SW14.
Holdsworth, Brian Granville, A.C.A., *a*1962; 47 Topsfield Parade, Crouch End, Hornsey, London N8.
Holland, John, A.C.A., *a*1962; 63A Cricklade Avenue, Streatham Hill, London SW2.
Hollins, John Anthony, A.C.A., *a*1962; 84 Shrewbridge Road, Nantwich, Cheshire.
Holmes, John Bernard Edgar, A.C.A., *a*1962; 54 Earlsway, Curzon Park, Chester.
Holt, James, A.C.A., *a*1962; 134 Brandlesholme Road, Bury.
Holt, Peter, A.C.A., *a*1962; 57 Northside Terrace, Lidget Green, Bradford 7.
Hope, Christopher John, B.SC.(ECON.), A.C.A., *a*1962; 135 Palmerston Road, Bowes Park, London N22.
Hopkinson, Colin Wray, A.C.A., *a*1962; 129 Haslingden Road, Blackburn.
Horton-Jones, Gerrard Keith, A.C.A., *a*1962; 41 Bellevue Road, West Cross, Mumbles, Swansea.
Hoskins, Ronald Stanley, A.C.A., *a*1962; 32 Ellanby Crescent, Edmonton, London N18.
Howard, John, A.C.A., *a*1962; 37 Chauncy Road, New Moston, Manchester 10.
Howarth, John Stephen, A.C.A., *a*1962; 12 Acres Road, Langley, near Lofthouse, Yorks.
Howell, Derek Charles Patrick, A.C.A., *a*1962; 442 Field End Road, Eastcote, Ruislip, Middlesex.
Howlett, Robert Leslie, A.C.A., *a*1962; 15 The Lowe, Chigwell, Essex.
§Hubbard, Harold Dennis, A.S.A.A., *a*1962; 289 Scraptoft Lane, Leicester.
Huckle, Peter George, A.C.A., *a*1962; with Alfred G. Deacon & Co, 4 Horsefair Street, Leicester.
Hughes, John Geoffrey Martyn, A.C.A., *a*1962; 175 Heathwood Road, Heath, Cardiff.
Hughes, Michael Brian, A.C.A., *a*1962; 'Gt Clerkes', Gt Sampford, Saffron Walden, Essex.
Hughes, Ranyl Wyndham Everard, A.C.A., *a*1962; 55 Crawford Avenue, Leyland, Preston.
Hull, George Julian Candon, B.A.(ECON.), A.C.A., *a*1962; 36 Wilkinson Street, Sheffield 10.
Hunter, Charles David, A.C.A., *a*1962; with Hunter & Gee, 16 Gillygate, York.

Inglesent, David Anthony, A.C.A., *a*1962; 7 Whitelaw Crescent, Allesley, Coventry.
Inwards, Michael Anthony, A.C.A., *a*1962; 2 Palmerston Court, Palmerston Road, Buckhurst Hill, Essex.
Iredale, John Martin, A.C.A., *a*1962; Midhill Cottage, Woodcote, Reading.
Irons, Geoffrey Michael, A.C.A., *a*1962; 186 Welbeck Road, Harrow, Middlesex.

Isherwood, Derek Browett, A.C.A., *a*1962; 42 Hawes Side Lane, Blackpool.

Jackson, Frederick Edward Hugh, A.C.A., *a*1962; 'Findings', Woodlands Close, Bickley, Kent.
Jackson, Peter Samuel Fenwick, A.C.A., *a*1962; 49 Alwinton Terrace, Gosforth, Newcastle upon Tyne 3.
Jacques, Ivan, A.C.A., *a*1962; 352 Whalley Old Road, Blackburn.
James, Antony Ronald, A.C.A., *a*1962; 87 Regent Road, Brightlingsea, Colchester.
James, Clement Peter, A.C.A., *a*1962; Green Dolphin, Delling Lane, Bosham, near Chichester, Sussex.
James, David Martin, A.C.A., *a*1962; 218A London Road, Leicester.
James, James Henry Lander, A.C.A., *a*1962; 94 Wilton Park Road, Shanklin, I.W.
James, John Leslie, A.C.A., *a*1962; 10 Nibloe Terrace, Penydarren, Merthyr Tydfil, Glam.
James, Kenneth Dudley, A.C.A., *a*1962; 112 Beech Green, Shoreham-by-Sea, Sussex.
Jameson, Francis, A.C.A., *a*1962; 88 Edale Road, Leigh, Lancs.
Janssens, Peter Anthony, A.C.A., *a*1962; 22 Leigham Drive, Osterley, Isleworth, Middlesex.
Jeffery, Christopher Michael, A.C.A., *a*1962; 31 Heath Hurst Road, Hampstead, London NW3.
Jessop, John William, A.C.A., *a*1962; 45 Devonshire Street West, Keighley, Yorks.
Johnston, David Brian Malcolm, A.C.A., *a*1962; 2A Fairfield Road, Timperley, Altrincham, Cheshire.
Johnson, Michael Arnold Russell, M.A., A.C.A., *a*1962; Wickersley Grange, Rotherham.
Johnson, Philip Robert, A.C.A., *a*1962; 3 Gorsey Lane, Altrincham, Cheshire.
Johnston, Bertram Cameron, A.C.A., *a*1962; 21 Corbridge Road, Sutton Coldfield, Warwicks.
Jones, David Gordon, A.C.A., *a*1962; 39 Bovingdon Caravan Estate, Burghill, Hereford.
Jones, David Mansel, A.C.A., *a*1962; 5 The Rise, Llanishen, Cardiff.
Jones, Howard Charles, A.C.A., *a*1962; 32 Marlborough Road, Chiswick, London W4.
Jones, Neville Sydney, A.C.A., *a*1962; 57 Spon Lane, Grendon, Atherstone, Warwicks.
Jones, Reginald Edward, A.C.A., *a*1962; 85 Lord Warwick Street, Woolwich, London SE18.
Jones, Stuart Bristow, A.C.A., *a*1962; 11 Kenilworth Court, Canford Cliffs, Poole, Dorset.
Jordan, Christopher John, A.C.A., *a*1962; 78 Beach Lane, Stretton, near Burton-on-Trent.

Kanesalingam, Sabapathipillai, B.SC.(ECON.), A.C.A., *a*1962; 1 Gregory's Road, Colombo, 7, Ceylon.
Kelk, Graham Howard, A.C.A., *a*1962; 34 Ashurst Drive, Stannington, Sheffield 6.
Kelley, Graham, A.C.A., *a*1962; 6 Waller Street, Bootle 20, Lancs.
Kemp, Brian William, A.C.A., *a*1962; 58 Dunsmore Road, Hall Green, Birmingham 28.
Kemp, David Alan, A.C.A., *a*1962; 90 Mimms Hall Road, Potters Bar, Middlesex.
Kemp, Stuart George, A.C.A., *a*1962; 'Lane End', Shadyhanger, Godalming, Surrey.
Kemp, Terence Robert William, B.SC.(ECON.), A.C.A., *a*1962; 35 Westbury Street, Llanelly, Carms.
Kennedy, Michael John, A.C.A., *a*1962; 45 Druidsville Road, Calderstones, Liverpool 18.
Khan, Muhammad Farooq, A.C.A., *a*1962; 260 Gillott Road, Edgbaston, Birmingham 16.
Khan, Riaz Ahmad, A.C.A., *a*1962; 88 Disraeli Road, London SW15.
Kibblewhite, David Arthur, A.C.A., *a*1962; 44 Alderton Hill, Loughton, Essex.
Kidd, Michael Herbert, A.C.A., *a*1962; 98 Davies Road, West Bridgford, Nottingham.
Kingdon, Samuel Leib, A.C.A., *a*1962; 10 Chesterford Gardens, London NW3.
Kinney, Martin, A.C.A., *a*1962; 49 Goldstone Crescent, Hove 4, Sussex.
Kirkup, Michael James, A.C.A., *a*1962; 9 Roehampton Drive, Blundellsands, Liverpool 23.
Kirwan, Edward Oliver, A.C.A., *a*1962; 107 Earl Howe Street, Leicester.
Kitsberg, Barry, B.A.(ECON.), A.C.A., *a*1962; 85 Carmel Court, Kings Drive, Wembley Park, Middlesex.
Kong, Richard Sik Hung, A.C.A., *a*1962; 8 Arkwright Road, London NW3.
Kyimyint, Lao, A.C.A., *a*1962; 17B Gyogon Officers' Quarters, Insein, P.O., Burma.
Kyle, Peter Jeremy, A.C.A., *a*1962; 52 Limpsfield Road, Sanderstead, Surrey.

Lacey, Maurice Raymond, A.C.A., *a*1962; 114 Laurie Avenue, Forest Fields, Nottingham.
Lambe, Brian Anthony, A.C.A., *a*1962; 39 Erpingham Road, London SW15.
Lambley, John Robert Nelson, A.C.A., *a*1962; 82/84 Waterdown Road, Clifton, Nottingham.
Lancey, Roger Keith, A.C.A., *a*1962; 18 Priory Road, Hanbury Park, Worcester.
Lane, Robin Spencer Norman, B.SC.(ECON.), A.C.A., *a*1962; c/o Martin, 57 Queensborough Gardens, Glasgow W2.
Langtree, Alan, A.C.A., *a*1962; 69 Parsonage Road, Wilpshire, Blackburn.
Lascelles, John Frederick, A.C.A., *a*1962; 'Homestead', Hall Road East, Blundellsands, Liverpool 23.
Lawrance, Maurice Roy, A.C.A., *a*1962; 5 Bassingbourne Close, Broxbourne, Herts.
Lawry, Richard Vivian, A.C.A., *a*1962; 5 Merridale Grove, Wolverhampton.
Layzell, Thomas Richard, B.SC., A.C.A., *a*1962; 25 Greenfields Road, Horley, Surrey.
Leach, John Vincent, A.C.A., *a*1962; 29 Hammelton Road, Bromley, Kent.
Leadbeater, Christopher Charles David, A.C.A., *a*1962; 11–15 Athelstan Road, Cliftonville, Kent.
Lee, Colin Victor Lionel, A.C.A., *a*1962; 125 Derrington Avenue, Crewe.
Lee, Cyril Alfred, B.COM., A.C.A., *a*1962; 2 Mount Stewart Avenue, Kenton, Middlesex.
Leigh, Timothy Roy, A.C.A., *a*1962; 5 Moss House, York Road, Eastbourne.
§Leishman, James Chisholm, A.S.A.A., *a*1962; 2 Hayworth Avenue, Laurieston, Falkirk, Stirlingshire.
Lennard, Geoffrey, A.C.A., *a*1962; 685 Scott Hall Road, Leeds 17.
Leon, Farrell Stanley, A.C.A., *a*1962; 124 Middleton Road, Manchester 8.
Lester, David Frederick, A.C.A., *a*1962; 54 Winnington Road, Enfield, Middlesex.
Lett, Kenneth Robert, A.C.A., *a*1962; 350 Bromford Lane, Ward End, Birmingham 8.
Leverton, Roger Frank, A.C.A., *a*1962; 25 Southway, Totteridge, London N20.
Levitt, Peter David, B.A., A.C.A., *a*1962; Flat 4, 81 Westbourne Terrace, London W2.
Lewis, David Harold, A.C.A., *a*1962; 17 Momus Boulevard, Coventry.
Lewis, Martin Lawrence, A.C.A., *a*1962; 120 Islington High Street, London N1.
Lewis, John Charles, A.C.A., *a*1962; 'Roselea', Kings Barn Lane, Steyning, Sussex.
Lewis, John Trevor, A.C.A., *a*1962; Flat 2, 2 Gore Street, London SW7.
Lillis, Michael Richard, A.C.A., *a*1962; 21 Norland Square, Holland Park, London W11.
Lindley, Philip Douglas, A.C.A., *a*1962; 'Walcot', Chesham Lane, Chalfont St Peter, Bucks.
Lindsey, Colin James Neil, A.C.A., *a*1962; 67 Murray Road, Northwood, Middlesex.

Lipscomb, Edwin Paul, A.C.A., *a*1962; 52 Antrim Mansions, London NW3.
Lisle, Roger Graham, A.C.A., *a*1962; 47 Shaftesbury Avenue, Street Lane, Leeds 8.
Llowarch, Martin Edge, A.C.A., *a*1962; 40B Montpelier Square, London SW7.
Lloyd, Robert Dudin, A.C.A., *a*1962; 17 Croham Park Avenue, Croydon, Surrey.
Lo, Nim-Cho, A.C.A., *a*1962; 11 Robinson Road, First Floor, Hong Kong.
Locke, Philip Christopher, A.C.A., *a*1962; 3 Vicarage Gardens, Kensington, London W8.
Lombard, Wilfred, B.SC.(ECON.), *a*1962; 6 Rothbury Gardens, Lobley Hill, Gateshead 11, Co. Durham.
Longman, John Henry Howard, A.C.A., *a*1962; 27 Varndean Gardens, Brighton 6, Sussex.
Lowthian, John Bardgett, A.C.A., *a*1962; The Castle, Armathwaite, Carlisle.
Lucas, Brian John, A.C.A., *a*1962; 31 Tilsworth Road, Beaconsfield, Bucks.
Lumby, William Henry David, A.C.A., *a*1962; 'The Dawn', Dark Lane, Ormskirk, Lancs.
Lyman, Michael Leslie, A.C.A., *a*1962; 36 Lewsey Road, Luton, Beds.

McAdam, David Alexander Lennox, A.C.A., *a*1962; 25 Gorse Road, Blackburn.
Macario, Michael Anthony, A.C.A., *a*1962; 47 Hillside Road, Northwood, Middlesex.
Macaulay, George Franklin, A.C.A., *a*1962; 11 Townfield Lane, Bebington, Wirral, Cheshire.
McCale, David Brian, A.C.A., *a*1962; 8 Stapleton Close, Rainhill, near Liverpool.
MacDonald, Ian, A.C.A., *a*1962; 5 Carters Hill Close, Mottingham Lane, London SE9.
McDonald, Peter, A.C.A., *a*1962; 8 Swinburne Avenue, Droylsden, near Manchester.
McFarland, Robert Gordon, A.C.A., *a*1962; 'The Coppice', Upper Warren Avenue, Caversham, Reading.
§Mackenzie, Roy, A.S.A.A., *a*1962; 102 Reform Street, London SW11.
Mackay, Donald Barrett, B.A., A.C.A., *a*1962; 6 Wetherby Gardens, London SW5.
McQue, John Edward, A.C.A., *a*1962; 'Orchard Lea', Ash Magna, Whitchurch, Salop.
Maddock, Peter John, B.SC.(ECON.), A.C.A., *a*1962; 3 Levylsdene, Merrow, Guildford, Surrey.
Mainwaring, John David, A.C.A., *a*1962; c/o Familie O. E. Schroer, Melchnau (Bern), Switzerland.
Makins, Michael John, A.C.A., *a*1962; Hampton House, Bath Road, Colnbrook, Bucks.
Malik, Khalid Hassan, A.C.A., *a*1962; 36 West Heath Drive, London NW11.
Malkinson, Jeffrey Leon, A.C.A., *a*1962; 33 Rossett Avenue, Liverpool 17.
Mallinson, Anthony John, A.C.A., *a*1962; 57 Avondale Avenue, Hinchley Wood, Esher, Surrey.
Manchester, Eric Leslie, A.C.A., *a*1962; 65 Trafford Road, Norwich.
Manning, Bernard John, A.C.A., *a*1962; 63 Oliver Road, Shenfield, Essex.
Manning, Stephen Paul, A.C.A., *a*1962; 84 Mayfair Avenue, Ilford, Essex.
Mapus-Smith, John, A.C.A., *a*1962; 'Berrylands', Dersingham, King's Lynn, Norfolk.
Marris, Anthony Hamilton, A.C.A., *a*1962; 58 Twatling Road, Barnt Green, Worcs.
Martindale, Deryk, LL.B., A.C.A., *a*1962; 14 Guildford Crescent, Beech Hill, Wigan.
Mascarenhas, Peter Adrian Richard, A.C.A., *a*1962; Johnson's Flat, High Street, Nantwich, Cheshire.
Maslin, John Roger Wells, A.C.A., *a*1962; 'Rucklands', Keepers Lane, Wergs, near Wolverhampton.
Mathews, Roger Gordon, A.C.A., *a*1962; 89 Alric Avenue, New Malden, Surrey.
Matthews, Keith Harley, B.A., A.C.A., *a*1962; 36 Windsor Road, Bristol 6.
Mattison, James Thomas, B.A., A.C.A., *a*1962; School House, Lingwood, Norwich, NOR79Z.
Maxwell, Gerald Anthony, A.C.A., *a*1962; 'Windle Wood', Vyner Road North, Bidston, Birkenhead.
Maxwell, (Miss) Glynn Ann, A.C.A., *a*1962; 8 Bina Gardens, London SW5.
Maxwell-Walton, John David, A.C.A., *a*1962; 71 Nyewood Lane, Bognor Regis, Sussex.
Mayes, Derrick Alan, A.C.A., *a*1962; 3 Castle Bridge Cottages, North Warnborough, near Odiham, Hants.
Mbanefo, Arthur Christopher Izuegbunam, A.C.A., *a*1962; 40 Cavendish Road, London NW6.
Mear, Donald Robert, B.A., A.C.A., *a*1962; 77 Victoria Rise, Clapham Common, London SW4.
Mehta, Chhabildas Dipchand, A.C.A., *a*1962; with Peat, Marwick, Mitchell & Co, Windsor House, 11th Floor, Temple Row, Birmingham. 2
Merriman, Leonard Robert, A.C.A., *a*1962; 41 Penn Road, Holloway, London N7.
Mewis, David George, A.C.A., *a*1962; 113 London Road, St Leonards-on-Sea, Sussex.
Mian, Qaisar, A.C.A., *a*1962; Taj Cottage, 452/3 Garden East, Karachi-5, Pakistan.
Middle, John Roderick, B.A., A.C.A., *a*1962; 'Greenfields', Western Road, West Hagley, Stourbridge, Worcs.
Middleton, Colin James, A.C.A., *a*1962; 18 North Street, Hailsham, Sussex.
Middleton, David Miles, A.C.A., *a*1962; Field House, Mayfield Drive, Cleadon, near Sunderland.
Millard, John Edward, A.C.A., *a*1962; 4 Cove House Gardens, Ashton Keynes, Swindon.
Mills, Keith Charles, A.C.A., *a*1962; 153 Howarth Road, Abbey Wood, London SE2.
Milne, Roderick Bruce, A.C.A., *a*1962; 4 Shinfield Road, Reading.
Milnes, David Sides, A.C.A., *a*1962; 77 Broom Road, Rotherham.
Mitchell, George Dickson, A.C.A., *a*1962; 8 Croft View, Anlaby, near Hull.
Mitchell, Edward Allen, A.C.A., *a*1962; Cliff Cottage, Herschell Road, Birchington, Kent.
Mitchell, Victor James, A.C.A., *a*1962; 63 Clewer Park, Windsor, Berks.
Modl, Phiroze Jal, B.SC.(ECON.), A.C.A., *a*1962; Grange Hotel, Inglesby Avenue, Normanton, Derbys.
Moffat, Brian Scott, A.C.A., *a*1962; 38 Nicholas Way, Northwood, Middlesex.
Moody, Peter Brian, B.A., A.C.A., *a*1962; c/o *The Financial Times*, Cannon Street, London EC4.
Moore, Michael Houghton, A.C.A., *a*1962; 105 Dunbar Road, Southport.
Moos, Rohinton Framroze, B.A., A.C.A., *a*1962; 222 East End Road, East Finchley, London N2.
Moriarty, Edward Thomas, A.C.A., *a*1962; 44 Preston New Road, Blackburn.
Morris, John Stanley, A.C.A., *a*1962; with Fryer, Sutton, Morris & Co, 5 London Wall Buildings, London EC2.
Mottram, Darrell Frederick, A.C.A., *a*1962; 29 Blair Athol Road, Ecclesall, Sheffield 11.
§Mountain, Gordon Thomas, A.S.A.A., *a*1962; High Street, Nafferton, Driffield, Yorks.
Muir, Brian John, A.C.A., *a*1962; 13 Fullerton Road, Wandsworth, London SW18.
Munday, John, A.C.A., *a*1962; 14 Garfield Street, Leicester.
Munir, Mohammad, A.C.A., *a*1962; 21 Chepstow Crescent, London W11.
Munson, Alma Russell, A.C.A., *a*1962; 49 Albert Street, Colchester, Essex.
§Murcott, Charles Robin, A.S.A.A., *a*1962; Romney Cottage, Riverstone Road, Wynberg, Cape Town.

§Nahoum, Isaac Elias, A.S.A.A., *a*1962; 73 Belsize Park Gardens, London NW3.

Nash, Harry, A.C.A., *a*1962; 24 Rostrevor Avenue, London N15.
Nat Thondan, Arumugam, A.C.A., *a*1962; 2 Bedford Place, London WC1.
Needham, Malcolm Edward, A.C.A., *a*1962; 31 Park Parade, Roker, Sunderland.
Nesham, Donald John, B.A.(ECON), A.C.A., *a*1962; 88 Marwood Drive, Great Ayton, Middlesbrough.
New, Terence, Anthony, A.C.A., *a*1962; 18 Bertram Drive, Meols, Wirral, Cheshire.
Newboult, James Michael Scott, B.A., A.C.A., *a*1962; Rye House, Boars Hill, Oxford.
Newman, Henry George, A.C.A., *a*1962; 37 Loughborough Park, London SW9.
Newman, Lawrence Howard, M.A., LL.B., A.C.A., *a*1962; 55 Walton Street, Chelsea, London SW3.
Newton, Anthony Thomas, A.C.A., *a*1962; 15 Olorenshaw Road, Sheldon, Birmingham 26.
Neylon, David, A.C.A., *a*1962; 86 Wembury Street, Harpurhey, Manchester.
Niblett, Michael Anthony, A.C.A., *a*1962; with F. P. Leach & Co, 46 Upper Maudlin Street, Bristol 2.
Nicholas, Timothy Louis, A.C.A., *a*1962; 'White Walls', Links Hey Road, Caldy, West Kirby, Wirral, Cheshire.
Nichols, (Miss) Irene Ada, A.C.A., *a*1962; 3 Harcourt Road, Sale, Cheshire.
Nobbs, Joseph Lovelace (Junr.), A.C.A., *a*1962; 'High Endeavour', Chase Lane, Haslemere, Surrey.
Noble, Colin Henry, A.C.A., *a*1962; 2 Tiverton Avenue, Sale, Cheshire.
Norman, Richard, A.C.A., *a*1962; 31 Lake View, Edgware, Middlesex.
Nutland, Jack Herbert, A.C.A., *a*1962; 44 St Albans Crescent, Woodford Green, Essex.

Oades, Geoffrey, A.C.A., *a*1962; 78 Marshfield Road, Goole, Yorks.
Ogden, John Edward, A.C.A., *a*1962; 1 Ashton Street, Lytham, Lytham St Anne's, Lancs.
Oldfield, Ernest, B.A., A.C.A., *a*1962; 'Church View', Whitley Bridge, near Goole, Yorks.
Olumide, Olufojude, A.C.A., *a*1962; 25 Hollygrove, London SE15.
Orr, Robert Michael, A.C.A., *a*1962; 9 Hurst Green Road, Bentley Heath, Solihull, Warwicks.
Osborne, John Brian, A.C.A., *a*1962; 175 Westella Road, Westella, near Hull.
Owen, John Harold Tierney, A.C.A., *a*1962; 'Birchwood', Daleford Lane, Whitegate, near Northwich, Cheshire.

Page, Edward Hugh, A.C.A., *a*1962; 11 Woodend Avenue, Maghull, Lancs.
Pain, Christopher Edward, A.C.A., *a*1962; Ripple Lodge, Kearsney, near Dover, Kent.
Paramsothy, Sinnappah Alagarathnam, B.SC., A.C.A., *a*1962; 16 Lancaster Terrace, London W2.
Pardey, David Arthur, A.C.A., *a*1962; Willaston, Marylebone, Wigan.
Parfitt, Michael Peter, A.C.A., *a*1962; 20 Clarence Street, Bishop Auckland, Co. Durham.
Parker, Geoffrey, A.C.A., *a*1962; 174 Mount Pleasant Road, Tottenham, London N17.
Parlane, Andrew John, A.C.A., *a*1962; 116 Archer Avenue, Southend-on-Sea, Essex.
Parrott, John Donald, A.C.A., *a*1962; 10 Ravenoak Road, Woodsmoor, Stockport.
Parry, Edward Brian, A.C.A., *a*1962; P.O. Box 129, Moshi, Tanganyika,
Paterson, John Malcolm, A.C.A., *a*1962; 54 Aylsham Road, North Walsham, Norfolk.
Pavri, Farrokh Noshir, A.C.A., *a*1962; with Binder, Hamlyn & Co, 121 Queen Victoria Street, London EC4.
Payne, Derek, A.C.A., *a*1962; 85 The Meadway, Headless Cross, Redditch, Worcs.
Peach, Kenneth, A.C.A., *a*1962; 18 Whitewood Way, Matlock, Derbyshire.
Pearce, John A.C.A., *a*1962; Cash Stores, Reading Road, Burghfield Common, near Reading.
Pearson, Graham Thomas, B.A., A.C.A., *a*1962; 25 York House, Kensington, London W8.
Pendrill, Richard William, A.C.A., *a*1962; 55C Purley Vale, Purley, Surrey.
Penney, Malcolm Olaf, A.C.A., *a*1962; 49 Farm Fields, Sanderstead, Surrey.
Penrose, Antony John, A.C.A., *a*1962; 28 Longfield, Penwortham, Preston.
Perkins, Geoffrey, A.C.A., *a*1962; 4 Seven Oaks Crescent, Bramcote Hills, Beeston, Notts.
Perry, Jonathan Peter Langman, A.C.A., *a*1962; 'Little Holland', Outerwyke Road, Felpham, Bognor Regis, Sussex.
Peters, Lionel, A.C.A., *a*1962; 99 Eamont Court, Mackennal Street, London NW8.
Pickard, John Christopher, A.C.A., *a*1962; 170 Wakefield Road, Lightcliffe, Halifax.
Pinder, John, A.C.A., *a*1962; 7A Old Bank Road, Mirfield, Yorks.
Pizzey, John Howard, A.C.A., *a*1962; 65 Georgia Road, Thornton Heath, Surrey.
Potter, Keith Sydney, A.C.A., *a*1962; 1 Gloucester Avenue, Gorleston-on-Sea, Great Yarmouth.
Powis, Paul Lionel, A.C.A., *a*1962; 'Whitegates', Pilgrims Way, Harrietsham, near Maidstone, Kent.
Pratt, Geoffrey Brian, A.C.A., *a*1962; 'Dalswinton', Ellerslie Lane, Bexhill-on-Sea, Sussex.
Prescott, (Miss) Patricia Jean, A.C.A., *a*1962; 'St Pierre', Staunton Cross, Staunton, near Gloucester.
Price, Leighton Raymond John, A.C.A., *a*1962; 18 Amherst Street, Grangetown, Cardiff.
Pringle, Edward William, M.A., A.C.A., *a*1962; 14 Norburn Crescent, Formby, Lancs.
Provan, David, A.C.A., *a*1962; 'The Lawns', Nightingales Lane, Chalfont St Giles, Bucks.
Prusmann, David Frederick, B.A.(COM.), A.C.A., *a*1962; Flat 5, 629 Wilbraham Road, Chorlton-cum-Hardy, Lancs.
Pumphrey, John Richardson, A.C.A., *a*1962; Tanton Cottage, Kirkleavington, Yarm-on-Tees, Yorks.
Pybus, Richard Henry, A.C.A., *a*1962; 27 Grange Crescent, Marton-in-Cleveland, Middlesbrough.

Radford, Richard John Markham, A.C.A., *a*1962; Sussex Cottage, Gorse Hill Road, Virginia Water, Surrey.
Rafe, Nigel Barton, A.C.A., *a*1962; 24 Collingham Gardens, Kensington, London SW5.
Raffray, Andre Robert Georges, A.C.A., *a*1962; Floreal, Mauritius.
Rahman, Masihur, A.C.A., *a*1962; 68 Parliament Hill, London NW3.
Rawstron, Ronald Freeman, A.C.A., *a*1962; 7 St Heliers Avenue, Hove.
Reading, Michael Richard, A.C.A., *a*1962; 25 Lansdowne Crescent, Leamington Spa.
Reaves, Kenneth David, A.C.A., *a*1962; 1 Kenpas Highway, Coventry.
Redington, John William, A.C.A., *a*1962; 8A Wells Drive, Kingsbury, London NW9.
Reeder, (Miss) Pamela Yvonne, B.A., A.C.A., *a*1962; 2 Heathcote Avenue, Ilford, Essex.
Reid, John Lewis, A.C.A., *a*1962; 45 Parkway, Trentham, Stoke-on-Trent.
Reynolds, Michael Stanley, A.C.A., *a*1962; 32 Derby Hill Crescent, Forest Hill, London, SE23.
Rhoades, Leslie Malcolm, A.C.A., *a*1962; 2 Torrington Villas, Franklin Street, Holderness Road, Hull.
Richards, Ian David, A.C.A., *a*1962; with Turquand, Youngs & Co, P.O. Box 384, Hongkong Bank Chambers, Singapore.
Richardson, (Miss) Catherine Mary, A.C.A., *a*1962; 17 Beech Avenue, Holgate, York.
Richardson, James Ernest, A.C.A., *a*1962; 234 Greggs Wood Road, Tunbridge Wells, Kent.

Richardson, Roy, A.C.A., *a*1962; 129 Billing Road, Northampton.
Richmond, Gerard Stuart, A.C.A., *a*1962; The Penn Club, 22 Bedford Place, London WC1.
Ricketts, Eric Stanley, A.C.A., *a*1962; 10 Olive Road, Cricklewood, London NW2.
Ridehalgh, Duncan James, A.C.A., *a*1962; 3 Highoaks Road, Woolton, Liverpool 25.
Ridge, Anthony Michael, A.C.A., *a*1962; 4 Rose Walk, Purley, Surrey.
Ridley, William Patrick, B.A., A.C.A., *a*1962; 'Mill Moorings', Felsted, Essex.
Roberts, Edwin William, A.C.A., *a*1962; 6 Ridgmont Road, Wandsworth, London SW18.
Roberts, William Harry, A.C.A., *a*1962; 56 Byway Road, Leicester.
Robinson, Alan James, A.C.A., *a*1962; 2 Hempstead Close, Whitehall Lane, Buckhurst Hill, Essex.
Robinson, Anthony, B.A., A.C.A., *a*1962; 46 Coptfold Road, Brentwood, Essex.
Robinson, Michael Albert, A.C.A., *a*1962; 27 Cannon Road, Wombourne, Staffs.
Robinson, Patrick Michael Whitmore, A.C.A., *a*1962; Windrush Cottage, Oxted, Surrey.
Roblin, John Anthony, A.C.A., *a*1962; 24 Romilly Road, Canton, Cardiff.
Robson, Allan, A.C.A., *a*1962; 48 Beechwood Terrace, Leeds 4.
§Rockall, David John, A.S.A.A., *a*1962; 19 Ferndale Road, Weston Favell, Northampton.
Roe, John David, A.C.A., *a*1962; 'Keepings', Aston Road, Dudley, Worcs.
Rogers, Peter Ernest, A.C.A., *a*1962; 80 Felbridge Avenue, Stanmore, Middlesex.
Rollins, Thomas Edward, A.C.A., *a*1962; 21 New Street, Wallasey, Cheshire.
Rose, Geoffrey Wilfrid, A.C.A., *a*1962; 43 East Court, North Wembley, Middlesex.
Rowe-Ham, David Kenneth, A.C.A., *a*1962; 344 Hagley Road, Edgbaston, Birmingham 17.
Roxburgh, Michael Walter, A.C.A., *a*1962; 89 Cromwell Way, Kidlington, Oxon.
Roy, Nikhilesh Chandra, A.C.A., *a*1962; 43 Cecil Avenue, Wembley, Middlesex.
Ruffy, Maurice James, A.C.A., *a*1962; 15 Combemartin Road, Southfields, London SW18.
Rugg, Brian, A.C.A., *a*1962; 31 Dene Crescent, Wallsend, Northumberland.
Rule, Andrew, A.C.A., *a*1962; 72 Petherick Road, Liverpool 11.
Ruscoe, David Michael, A.C.A., *a*1962; 'Stoneleigh', Meadow Gardens, Craig-y-Don, Llandudno.
Rushforth, David Arba, A.C.A., *a*1962; 199 Wakefield Road, Drighlington, near Bradford.
Rushton, Richard Alan, A.C.A., *a*1962; 20 Broadway, Hale, Cheshire.
Russell, Colin George, A.C.A., *a*1962; 333 Woodgrange Drive, Southend-on-Sea.
Russell, David John, B.A., A.C.A., *a*1962; 6 Valentines Drive, Colchester, Essex.
Russell, Michael Jack, A.C.A., *a*1962; 70 Donnington Road, Willesden, London, NW10.
Ryan, Kevin James, A.C.A., *a*1962; Barrowby House, Barrowby, Grantham, Lincs.
Ryder, Anthony Charles, M.A., A.C.A., *a*1962; 9 St George's Court, Gloucester Road, London SW7.

Sadler, David Albert, A.C.A., *a*1962; 14 Lytton Avenue, Penn, Wolverhampton.
Saunders, Kenneth Henry Arthur, A.C.A., *a*1962; 93 Perry Street, Billericay, Essex.
Sanger-Davies, Michael Joseph, A.C.A., *a*1962; with Thornton, Baker & Co, Prudential Chambers, Banbury, Oxon.
Sardana, Vinode Mohan, A.C.A., *a*1962; 184 Gloucester Place, London NW1.
Sargent, Christopher John Ralph, A.C.A., *a*1962; 21 Blake Hill Avenue, Parkstone, Dorset.
Scarisbrick, David Thomas, A.C.A., *a*1962; 54 Anson Road, London N7.
¶Schreiber, Cyril, A.C.A., *a*1962; 116 Cazenove Road, Stoke Newington, London N16.
Scott-Brown, Robin Christopher, A.C.A., *a*1962; 'Silver Birches', Cornwall Road, Cheam, Surrey.
Sealey, John Malcolm, A.C.A., *a*1962; 72 Barton Lodge Road, Hall Green, Birmingham 28.
Secker, Alan, A.C.A., *a*1962; 65 Brim Hill, Hampstead Garden Suburb, London N2.
Seed, John Keith, A.C.A., *a*1962; 'Newlands', Church Lane, Goosnargh, near Preston.
Semark, Roy Edward, A.C.A., *a*1962; 16 Talbot Gardens, Goodmayes, Ilford, Essex.
Sercombe, John, A.C.A., *a*1962; c/o 20 Elton Road, Kingston upon Thames, Surrey.
Sharp, John Henry, A.C.A., *a*1962; 51 Long Elmes, Harrow Wald, Middlesex.
Shaw, Peter William, A.C.A., *a*1962; 'The Moorings', Evans Avenue, Allestree Park, Derby.
Shepherd, John Kenneth, A.C.A., *a*1962; 40 Stamford Road, West Bridgford, Nottingham.
Sherring, Peter James, A.C.A., *a*1962; 69 Heath Road, St Albans, Herts.
Shiatis, Michalakis Avraam, A.C.A., *a*1962; 44 Athlone Road, London SW2.
Shulman, Neville Lionel, A.C.A., *a*1962; 14A Finchley Road, St John's Wood, London NW8.
Silver, Robert Jim, A.C.A., *a*1962; 13 Alexandra Grove, Finchley, London N12.
Silvester, Eric George, A.C.A., *a*1962; 67 Dongola Road, London N17.
Simmonds, Anthony Michael Thomas, A.C.A., *a*1962; 'Caliente', Princes Drive, Oxshott, Leatherhead, Surrey.
Simpkin, David Anthony, A.C.A., *a*1962; 21 Charnwood Avenue, Sutton Bonington, Loughborough, Leics.
Simpson, Andrew Roger, A.C.A., *a*1962; 69 Longland Drive, Totteridge, London N20.
Simpson, Terence Colin Frank, A.C.A., *a*1962; 97 Gaunts Way, Letchworth, Herts.
Sinclair, Anthony, LL.B., A.C.A., *a*1962; 99 Regency Lodge, Avenue Road, London NW3.
Sircar, Kalyan, A.C.A., *a*1962; 62 West Cromwell Road, London SW5.
Sitaram, Govind, A.C.A., *a*1962; c/o Peachy Property Corporation Ltd, Farley House, Petts Wood, Kent.
Sitaram, Nagaraj, A.C.A., *a*1962; c/o S. Sitaram, P.O. Box No. 686, 57 Lewis Street, Rangoon, Burma.
Skan, Trevor, A.C.A., *a*1962; 'Greenways', Little Forest Road, Talbot Woods, Bournemouth.
Skeet, David Colin, A.C.A., *a*1962; 37 Shirley Avenue, Southampton.
Slomovic, Chaskel, A.C.A., *a*1962; Flat D, 59 Netherhall Gardens, London NW3.
Smith, Graham Alan Pedder, A.C.A., *a*1962; 9 Mersey Avenue, Upminster, Essex.
Smith, John Antony, B.SC.(ECON.), A.C.A., *a*1962; 28 Sandy Lane, Mitcham, Surrey.
Smith, John Edward, A.C.A., *a*1962; 9 Echelforde Drive, Ashford, Middlesex.
Smith, JohnVincent, A.C.A., *a*1962; 39 Greenways, Standish, near Wigan, Lancs.
Smith, Malcolm John, A.C.A., *a*1962; 27 Dundela Gardens, Worcester Park, Surrey.
Smith, Paul Hugh, A.C.A., *a*1962; 18 Birches Barn Avenue, Bradmore, Wolverhampton.
Smith, Richard John, A.C.A., *a*1962; 57 Compton Road, Winchmore Hill, London N21.
Smith, Richard John, A.C.A., *a*1962; 42 South Down Road, Beacon Park, Plymouth.
Smith, Thomas Desmond, A.C.A., *a*1962; A. B. Plevey & Co, 11A Tettenhall Road, Wolverhampton.
Smith, Thomas Martyn, A.C.A., *a*1962; 9 Standiforth Road, Dalton, Huddersfield.

Smith, Trevor Edward, A.C.A., *a*1962; 40 Sharrat Field, Four Oaks, Sutton Coldfield, Warwicks.
§Smith, Walter Roy MacMillan, A.S.A.A., *a*1962; 70 Cato Road, Durban, South Africa.
Smithers, Bryan John, A.C.A., *a*1962; 1 Bell Cottages, Ticehurst, Wadhurst, Sussex.
Snape, Keith, A.C.A., *a*1962; 62 Firs Road, Sale, Cheshire.
Solomon, Richard Sydney Clive, A.C.A., *a*1962; 354 Mumbles Road, Westcross, Swansea.
Spier, Robert Fitzhardinge Jenner, B.COM., A.C.A., *a*1962; 'Fiesta', Hazler Crescent, Church Stretton, Salop.
Spratley, Derek John, A.C.A., 42 Chalkpit Lane, Dorking, Surrey.
Sprunt, Ernest, A.C.A., *a*1962; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
Stables, (Miss) June Christine, A.C.A., *a*1962; 81 Ladbroke Road, London W11.
Stainton, Ian Lachlan, A.C.A., *a*1962; 37 Willow Crescent, Five Lane Ends, Bradford 2.
Stanton, Lionel Harold, A.C.A., *a*1962; 81 Mount Ararat Road, Richmond, Surrey.
Stapley, Eric, A.C.A., *a*1962; 5 Broadway, Connah's Quay, Chester.
Steele, Kenneth James, A.C.A., *a*1962; 47 Faversham Avenue, Anlaby High Road, Hull.
Steggall, Brian Oswald Telfer, A.C.A., *a*1962; Highfield College, Leigh-on-Sea, Essex.
Stephenson, Percy, A.C.A., *a*1962; 22 Stanthorpe Road, London SW16.
§Stoddart, James Donald Todd, A.S.A.A., *a*1962; 52 Auldhame Street, Coatbridge, Lanarkshire.
Stokes, Andrew Christopher, A.C.A., *a*1962; Northcote, Lansdown Road, Bath.
Stone, Harry Walter Bertie, A.C.A., *a*1962; 51 Prospect Road, Longwood, Huddersfield.
Storey, Ernest Robert, A.C.A., *a*1962; 21 Clacton Road, Walthamstow, London E17.
Stott, David, A.C.A., *a*1962; 'Woodcrest', Staindrop, Darlington.
Stout, Christopher, A.C.A., *a*1962; 65 Bridge Street, Worksop, Notts.
Stubbs, David Glyn, A.C.A., *a*1962; 16 Manor Road, Slyne, near Lancaster.
Sturge, Martin Greenaway, A.C.A., *a*1962; 85 Woodlands Road, Surbiton, Surrey.
Styburski, George Francis, A.C.A., *a*1962; 117 Windmill Road, Brentford, Middlesex.
Sullinge, Rynton Haydon, A.C.A., *a*1962; 'Fromeside', Chalford, Stroud, Glos.
Sullivan, Terence Frederick, A.C.A., *a*1962; 164 Inchmery Road, Catford, London SE6.
Sultan, Sami Mohamed Ibrahim, B.COM., A.C.A., *a*1962; 14 Range Road, Manchester 16.
Summerfield, Richard Thomas, A.C.A., *a*1962; 9 Highfield Avenue, Cambridge.
Summers, Robert Michael, A.C.A., *a*1962; 318 Addison House, Grove End Road, St John's Wood, London NW8.
Sutcliffe, Maurice, B.A., A.C.A., *a*1962; 36 Meadow Lane, Wheatley, Halifax.
Sutton, Kenneth, A.C.A., *a*1962; 53A Kings Road, Harrogate, Yorks.
Swarc, Alan, A.C.A., *a*1962; Flat 5, 21 Hanson Street, London W1.

Tait, Jonathan Douglas, A.C.A., *a*1962; 9 Marine Parade, Penarth, Glam.
Tame, John Townsend, A.C.A., *a*1962; 63 Queens Road, Urmston, Lancs.
Tate, Maurice Stanley, A.C.A., *a*1962; 73 Molesey Park Road, East Molesey, Surrey.
Taylor (Miss), Brenda Elizabeth, A.C.A., *a*1962; 6 Gott's Park Crescent, Armley, Leeds 12.
Taylor, Brian, A.C.A., *a*1962; 29 Rossall Road, Rochdale.
Taylor, Colin Gordon, A.C.A., *a*1962; 1 High Street, Crawley, Sussex.
Taylor, David, A.C.A., *a*1962; 4 Wards End, Loughborough, Leics.
Tetley, Brian, A.C.A., *a*1962; 35 Nearcliffe Road, Bradford 9.
Temple, Alan Duncan, A.C.A., *a*1962; 'Saracen's Head', Spalding, Lincs.
Thom, Denis, A.C.A., *a*1962; 76 Passingham Avenue, Billericay, Essex.
Thomas, David Anthony, A.C.A., *a*1962; 14 Lansdowne Road, West Didsbury, Manchester 20.
Thomas, Roy Anthony, A.C.A., *a*1962; 41 Exeter Road, Rayners Lane, Harrow, Middlesex.
Thornber, Anthony Frederic, A.C.A., *a*1962; 'Birtle-Dene', George Lane, Read, near Burnley.
Tickler, Nigel Derrick Wallace, A.C.A., *a*1962; Swinhope Brook, Binbrook, Lincoln.
Toll, John Edmund, B.SC.(ECON.), A.C.A., *a*1962; 49 Downshall Avenue, Seven Kings, Ilford, Essex.
Torond, James Leonard, A.C.A., *a*1962; 81 Devon Road, Cheam, Surrey.
Torr, David Allan, A.C.A., *a*1962; 95 Hilton Lane, Great Wyrley, Walsall.
Townsend, William Venn, A.C.A., *a*1962; 36 Broadwood Road, Chattenden, Rochester, Kent.
Treen, Richard James, A.C.A., *a*1962; 36 Woodland Drive, Hove, Sussex.
Trethewey, Llewellyn Lloyd Anthony, LL.B., A.C.A., *a*1962; 30 Havelock Road, Handsworth, Birmingham 20.
Trevelyan, Edward Calverley Thornton, A.C.A., *a*1962; Longwitton Hall, Morpeth, Northumberland.
Tribe, Raymond John, A.C.A., *a*1962; with Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London W1.
Trimby, David George, B.A., A.C.A., *a*1962; 2 Widcombe Terrace, Bath.
Tucker, David Allon, A.C.A., *a*1962; 11 Kew Road, Weston-super-Mare.
Tucker, David Lambert, A.C.A., *a*1962; 414 Upper Richmond Road, Putney, London SW15.
Tucker, Frederick James, A.C.A., *a*1962; Arts Centre, Dartington Hall, Totnes, Devon.
Tudball, Ian Gordon, A.C.A., *a*1962; 30 Pinner Park Avenue, Harrow, Middlesex.
Turner, Peter Vincent, A.C.A., *a*1962; 15 Ethel Road, Wallasey, Cheshire.
Turnbull, David Keith, A.C.A., *a*1962; 45 Fitzroy Drive, Oakwood, Leeds 8.
Turner, David Daniel, A.C.A., *a*1962; 43 Upsdell Avenue, Palmer's Green, London N13.
Turner, Derek Tudsbery, A.C.A., *a*1962; 'Jacob's Garden', Castle Hill, Duffield, Derbyshire.
Turner, John Charles, A.C.A., *a*1962; 29 Orchard Crescent, Forty-Hill, Enfield, Middlesex.
Twigg, Trevor Joseph, LL.B., A.C.A., *a*1962; 58 Billing Road, Chapelfields, Coventry.

Usher, Stuart, A.C.A., *a*1962; 4 Straylands Grove, Stockton Lane, York.

Valentine, James Hamilton, A.C.A., *a*1962; 41 Deeplish Road, Rochdale.
Van Spall, Oscar Anthony, A.C.A., *a*1962; 5 Pentland Street, St Ann's Hill, Wandsworth, London SW18.
Vaux, Philip, B.A.(ECON.), A.C.A., *a*1962; 116 Banks Lane, Riddlesden, Keighley, Yorks.
Vear, Harold Arthur Julian, B.A., A.C.A., *a*1962; 18 Ossian Road, London N4.
Vijayaratnam, Kanapathipillai, LL.B., A.C.A., *a*1962; with Bennett Nash & Co, 12/13 Richmond Buildings, Dean Street, London W1.
Vithlani, Anilkumar Keshavji, A.C.A., *a*1962; 6 Sherwood Avenue, Streatham Vale, London SW16.

Wagstaff, Arthur Benjamin, A.C.A., *a*1962; 29 Chapel View, South Croydon, Surrey.
Wain, John Anthony, A.C.A., *a*1962; 44 Carlton Drive, Paignton, Devon.

Wakefield, David John, A.C.A., *a*1962; 15 Hayes Avenue, Littleover, Derby.
Walker, Alan John, A.C.A., *a*1962; 46 Manor Way, Chingford, London E4.
Walker, George Ronald, A.C.A., *a*1962; 59 Cundall Road, West Hartlepool, Co. Durham.
Waller, Colin Leslie, A.C.A., *a*1962; 38 Valley Road, Streatham, London SW16.
Walls, John Arthur, A.C.A., *a*1962; 50 Herne Hill, London SE24.
Warburton, Ian George, A.C.A., *a*1962; 1 Bourneville Avenue, Heaton Norris, Stockport.
Ware, Francis John, B.A., A.C.A., *a*1962; 9 Castlebar Road, Ealing, London W5.
Warren, Peter Cecil Francis, B.A., A.C.A., *a*1962; 'Greenhill', Fernhurst, Haslemere, Surrey.
Warwick James, Nicholas Ridley, A.C.A., *a*1962; 8 Netherhall Gardens, London NW3.
Waterfield, Keith Malcolm, A.C.A., *a*1962; 111 Dereham Road, Barking, Essex.
Webb, Graham Thomas, A.C.A., *a*1962; 52 Wyngate Drive, Leicester.
Webb, Richard August, A.C.A., *a*1962; 10 Lower Green, Alkrington, Middleton, Lancs.
Weerasinghe, Ranjit Alexis, A.C.A., *a*1962; with Turquand Youngs & Co, Lloyds Buildings, Price St, P.O. Box 101, Colombo 1, Ceylon.
Wesson, Martin Robert, A.C.A., *a*1962; 20 Alicia Avenue, Kenton, Middlesex.
Wescott, David John, A.C.A., *a*1962; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London EC2.
West, Barrie, A.C.A., *a*1962; 26 Ferndale Road, Gorse Hill, Swindon.
West, Martin Graham, A.C.A., *a*1962; 104 Radcliffe New Road, Whitefield, Manchester.
Westcott, Christopher Leslie, A.C.A., *a*1962; 58 Willow Crescent West, Willow Bank, near Uxbridge, Middlesex.
Westhead, John Simon, A.C.A., *a*1962; 'Crossall', Claremont Avenue, Clitheroe, Lancs.
Whale, Brian James, A.C.A., *a*1962; 280 Princes Avenue, Palmer's Green, London N13.
White, Colin Roger, B.A., A.C.A., *a*1962; Becton Lea, Becton Lane, Barton-on-Sea, New Milton, Hants.
White, Jeremy Wilmot Edward, A.C.A., *a*1962; 165 Westhill Road, Torquay.
White, Richard Milner, A.C.A., *a*1962; The Cottage, Sutton Green, near Guildford, Surrey.
White, Roger John Graham, A.C.A., *a*1962; 172 Tudor Drive, Kingston upon Thames, Surrey.
Whitehead, Leslie Schofield, A.C.A., *a*1962; 84 Pavilion Way, Eastcote, Ruislip, Middlesex.
Whittaker, Malcolm John, A.C.A., *a*1962; 16 Cedar Avenue, Nuthall, Notts.
Whittenbury, John Rowsell, A.C.A., *a*1962; 31 Shaftesbury Avenue, Kenton, Harrow, Middlesex.
Wigglesworth, Arthur, A.C.A., *a*1962; 132 Wakefield Road, Pontefract, Yorks.
Wignall, Neville Owen, A.C.A., *a*1962; 73 Holmwood Road, Seven Kings, Ilford, Essex.
Wild, John David, A.C.A., *a*1962; 67 Walsall Road, Little Aston, Sutton Coldfield, Warwicks.
Wilkinson, Barry Ernest, A.C.A., *a*1962; 88 Dalewood Avenue, Beauchigy, Sheffield 8.
Wilkinson, Eric, A.C.A., *a*1962; 19 Carr Street, Marsh, Huddersfield.
Wilkinson, Henry Russell, B.A., A.C.A., *a*1962; 43 The Avenue, Lewes, Sussex.
Wilkinson, John Richard, A.C.A., *a*1962; 17 Queens Drive, Barnsley.
Wilkinson, Ralph, B.COM., A.C.A., *a*1962; 4B Staverton Road, Oxford.
Willats, Antony, A.C.A., *a*1962; 10 Dunton Court, Sydenham Hill, London SE23.
Williams, Duncan Rodney, A.C.A., *a*1962; 34 Eleanor Crescent, Westlands, Newcastle, Staffs.
Williams, Trevor David, A.C.A., *a*1962; 11 Rosevale, Hoddesdon, Herts.
Wilson, Eric Robinson, A.C.A., *a*1962; 4 Woodlands Drive, Fulwood, Preston.
Wilson, Frank Denis, A.C.A., *a*1962; 199 Whitefield Road, Liverpool 6.
Windas, Geoffrey Richard Harland, B.SC.(ECON.), A.C.A., *a*1962; with W. J. King & Son, 21 Stone Street, Gravesend, Kent.
Windows, James Bowen, A.C.A., *a*1962; 43 Oaklands, Gosforth, Newcastle upon Tyne 3.
Winstanley, Gerald Arthur, A.C.A., *a*1962; 299 Gathurst Road, Orrell Post, near Wigan.
Wisely, John Carroll, A.C.A., *a*1962; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London EC2.
Witherington, Peter John, A.C.A., *a*1962; 495 Barrow Lane, Sheldon, Birmingham 26.
Woda, David, A.C.A., *a*1962; 105 Cambridge Gardens, London W10.
Wood, Edward Ivor, A.C.A., *a*1962; 8 Shrewsbury Drive, Upton, Wirral, Cheshire.
Wood, Howard Graham, A.C.A., *a*1962; 4 Bramley Road, Cheam, Surrey.
Wood, Keith Derek, A.C.A., *a*1962; 54 Burnett Avenue, Bradford 5.
Wood, Malcolm Antony, A.C.A., *a*1962; Dunstone House, West Drive, Tintwistle, Hadfield, Hyde, Cheshire.
Wood, Michael James, A.C.A., *a*1962; 10 Gladstone Avenue, Seaforth, Liverpool 21.
Woolf, Emile Harold, A.C.A., *a*1962; 76 Fairhazel Gardens, Hampstead, London NW6.
Worger, Peter David, A.C.A., *a*1962; 1 Hill Lands, Wyke, Bradford.
Wright, David Charles, A.C.A., *a*1962; 48 Ridgeway, Hayes, Bromley, Kent.
Wright, James Macdonald, B.A., A.C.A., *a*1962; 'Red Tiles', Church Road, Newick, Lewes, Sussex.
Wright, James Richard Terrence, A.C.A., *a*1962; 5 Park Road, Thornton-Cleveleys, Blackpool.
Wright, Michael David, B.SC.(ECON.), A.C.A., *a*1962; 89 Heathstan Road, London W12.
Wright, Michael John, A.C.A., *a*1962; 'Greystones', Eype Down, Bridport, Dorset.

Yates, Rodney Brooks, A.C.A., *a*1962; 'The Berrow', Barnt Green, Worcs.
Yelland, John Anthony, A.C.A., *a*1962; 'Highfield', Droitwich Road, Fernhill Heath, Worcester.
Young, Malcolm Craig, A.C.A., *a*1962; 20 Glenmore Road, West Bridgford, Nottingham.
Young, Peter Deans, A.C.A., *a*1962; 10 The Crescent, Walton-on-the-Hill, Stafford.

Zain, Masud, A.C.A., *a*1962; 6 Warrington Gardens, London W9.
Zanker, Francis William Alan, B.COM., A.C.A., *a*1962; 2 Edmondson Street, Barnoldswick, via Colne, Lancs.

Fellowship

The Council acceded to applications from seven associates to become fellows under clause 6 of the supplemental Royal Charter.

Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Ackland, Thomas Francis, A.S.A.A., *a*1959; Ackland, Harris & Co, 34 Arlington Road, Southgate, London N14.

F.S.A.A.

The Council acceded to an application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Adcroft, Peter, A.C.A., *a*1957; 99 Fordway Avenue, Layton, Blackpool.

Baker, Terence, A.C.A., *a*1956; Swindells & Gentry, 'New Olives', High Street, Uckfield, Sussex.

Brooks, Brian John, A.C.A., *a*1960; James & Cowper, 5 Station Road, Reading, and at Newbury.

Burnett-Hurst, Clive Robert, A.C.A., *a*1958; 'Oak Leigh', Whalley, near Blackburn.

Callis, Sidney, B.SC.(ECON.), A.C.A., *a*1958; S. Callis & Co, 235 Sussex Gardens, London W2.

Cline, Philip, B.A.(ECON.), A.C.A., *a*1959; 67 High Street, Ferndale, Glam.

Cropper, Frank, A.C.A., *a*1960; 18 Somerset Road, Droylsden, Manchester.

Curran, John Bertram, A.C.A., *a*1955; *Turquand, Youngs & Co, Hong Kong Bank Chambers (P.O. Box 384), Singapore 1, and at Bangkok, Djakarta, Ipoh, Kuala Lumpur, Kuching and Penang.

Dervin, Kenneth George, A.C.A., *a*1959; K. G. Dervin & Co, 52 Rose Avenue, Irlam, Lancs.

Dudley, Peter, A.C.A., *a*1956; *Charles Harrison & Son, Central Chambers, Unicorn Hill, Redditch.

Fisher, Walter Moss Barnett, A.C.A., *a*1955; 15 Seymour Road, Finchley, London N3.

Gillett, Hugh John, A.C.A., *aS*1957; Henry Yates & Co, 9 Theatre Street, Preston.

Goodman, John Valentine, A.C.A., *a*1958; Selbey, Smith & Earle, 6 Bedford Row, London WC1.

Goodrum, Ian William, A.C.A., *a*1959; Johnson, Markett & Hurst, Rawdon House, Rawdon Terrace, Ashby de la Zouch, and at Burton-on-Trent and Leicester.

Gray, Frank Henry, A.C.A., *a*1959; F. H. Gray & Co, 75 Aberdale Gardens, Potters Bar, Middlesex, and at London.

Higgs, George William, F.C.A., *aS*1933; Crew, Turnbull & Co, Town Hall Chambers, Dunstable.

Hunt, David Edward, M.A., A.C.A., *a*1956; R. H. March, Son & Co, Baltic House, Mount Stuart Square, Cardiff, and at Dartford, London and Newport, Mon.

McDonald, Tom, B.COM., A.C.A., *a*1953; J. C. Kirk & Son, Norwich Union Building, City Square, Leeds 1.

Matthewman, John Stuart, A.C.A., *a*1957; Kenneth Hayes & Co, Lombard House, Great Charles Street, Birmingham 3.

Mattison, John, A.C.A., *a*1957; William E. Little & Co, 11 Hatherley Road, Sidcup, Kent, and at Ross-on-Wye.

Nicholson, William, F.C.A., *aS*1949; Henry Yates & Co, 9 Theatre Street, Preston.

Nutt, Kenneth Richard, A.C.A., *aS*1953; Whitehouse, Hopkinson & Co, 7 Parson Street, Dudley, Worcs, and at Aldridge and Walsall.

Pantall, Geoffrey, A.C.A., *a*1959; Rothman, Martin & Co, 1 Jewry Street, and 11A Southgate Street, Winchester, and at Alresford, Southampton and Whitchurch.

Price, Philip John, A.C.A., *aS*1959; Butterworth Jones & Co, 53 Maiden Street, Weymouth, and at Portland.

Read, Richard Michael Hodgson, B.SC.(ENG.), A.C.A., *a*1961; R. H. March, Son & Co, 7 Union Court, Old Broad Street, London EC2, and at Cardiff, Dartford and Newport, Mon.

Relph, David Ernest Frederick, A.C.A., *a*1959; Thornton, Harper & Relph, 15 Cross Street, Preston.

Rose, Gordon Stanley, A.C.A., *a*1955; †Kidsons, Taylor & Co, 1 Booth Street, Manchester 2, and at London.

§Sheldon, Jack Cecil, A.S.A.A., *a*1961; 23 Chandos Avenue, Southgate, London N14.

Silverman, Sidney Carl, A.C.A., *a*1961; 273 Blackley New Road, Manchester 9.

Spencer, Philip, F.C.A., *a*1950; 49B Vale Road, Rhyl, North Wales.

Spieler, Anthony, A.C.A., *a*1960; 60 Avondale Road, Southport.

Stone, Brian John, A.C.A., *a*1957; 1 Tunstall Court, Hatherley Road, Kew Gardens, Richmond, Surrey.

Taylor, (Mrs) Mary Olive, F.C.A., *a*1950; Taylor & Co, 138 Longmore Road, Shirley, Solihull, Warwicks.

Turl, Geoffrey, A.C.A., *a*1960; *Barnes, Turl & Co, 4 Grange Drive, Bridgwater, Somerset.

Waddington, Brian, A.C.A., *a*1958; John C. Dawson & Co, The Red House, Duncombe Place, York.

Waters, Geoffrey, F.C.A., *a*1949; Geoffrey Waters & Co, 3 Library Place, St Helier, Jersey, C.I.

Winder, John Lindsay, A.C.A., *a*1959; J. L. Winder & Co, 40 Cavendish Street, Barrow-in-Furness.

Wolverson, Maurice Frank, A.C.A., *a*1959; Barnfield & Co, 151 Lichfield Street, Walsall.

Admissions to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Re-admission to Membership

Subject to payment of the amounts required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter, and one former member under bye-law 38. Three applications under clause 23 were refused.

Changes of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Joannou, Vassilios, to Ioannou, Vassilios.
Mohamed, Sayed Hashim Sayed, to Swage, Sayed Hashim.
Smith, Geoffrey Rae, to Rae Smith, Geoffrey.
Thompson, Griffith Moore, to Moore Thompson, Griffith.
Williams, Thomas Sarl, to Sarl-Williams, Thomas.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Harold Bird, F.C.A., East Grinstead.
„ John Neville Coxon, F.C.A., Birmingham.
„ Hubert William Crutch, F.C.A., Purley.
„ Stanley Neville Davis, F.C.A., Dorking.
„ Percy Robert Fowler, F.C.A., Manchester.
„ David Reginald Grassan, A.C.A., London.
„ William Percy Grimwood, F.C.A., London.
„ Hugh Hart, F.C.A., Pembroke, Ontario.
„ Charles William Jackson, F.C.A., Guiseley.
„ William Joseph Kenny, F.C.A., London.
„ John Walford Lussignea, F.C.A., London.
„ George Henry Middleton, F.C.A., Newcastle upon Tyne.
„ Harold Sirett Mitchell, F.C.A., Halifax.
„ John Henry Priestley, F.C.A., Folkestone.
„ Roger Cecil Procter, M.B.E., F.C.A., Woking.
„ Joseph Sandiford, F.C.A., Bolton.
„ Francis Merchant Warr, F.S.A.A., Bexhill-on-Sea.
„ Peter Lester Baird Charlton Young, F.C.A., London.

PRESENTATION OF PRIZES

Following the meeting of the Council on April 4th, the President formally presented prizes and certificates of merit to the successful candidates in the November examinations who were able to attend. Relatives and friends of prizewinners were invited to the ceremony, which was held in the Oak Hall at Moorgate Place and was followed by tea.

In the course of his address Mr Granger said:

Ladies and gentlemen, On behalf of the Council and indeed of all our members it gives me very great pleasure to welcome the prizewinners, their parents and friends to this the Oak Hall of the Institute. The people on the platform with me are Mr Barrows, a past president of the Institute, the Vice-President Mr Carpenter, Mr Densem, Chairman of the Examination Committee, and Mr Allen an Under-Secretary.

To obtain a prize in the Institute's examinations is something in which the prizewinners themselves and also their families can take great pride and it certainly means that the prizewinners have made a first-class start to their careers. To those who have passed their Final I extend my heartiest congratulations and two words of advice. The first is to remember that you have joined or are joining a professional body which has a very high reputation for skill and integrity. See that you do what you can to advance that reputation. The second is – do not be in too much of a hurry to make up your minds as to whether you are going into industry or whether you will stay on the practising side of the profession. Unless you are quite clear what you want to do and how you want to do it, a further year or two on the practising side can to my idea of things be advantageous. However, all this is up to you.

To the Intermediate prizewinners I have not a lot to say. You have obviously begun well and worked hard and now you have the reward. Keep up the good work and I have no doubt that in due course you will have my successor addressing you at a function like this.

Finally, I think all the prizewinners should have their parents in mind. In this world few succeed entirely on their own so remember and be thankful for the fact that while you were working, your father was probably quite worried about you and your mother was not only seeing that you were properly fed but was possibly even more worried than father.

It gives me much pleasure to present the prizes and I may say that the fact that a Nottingham man has taken first place in the Final has nothing to do with the fact that a Nottingham man happens to be President. He did it on his own.

FINDING AND DECISION OF THE APPEAL COMMITTEE

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on March 16th, 1962.

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that William Henry Blount, F.C.A., was by an Order dated June 23rd, 1961, adjudicated bankrupt, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against William Henry Blount, F.C.A., had been proved and the Committeee also affirmed the Decision of the Disciplinary Committee that William Henry Blount, F.C.A., of 1 The Towers, Grand Avenue, Worthing, Sussex, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting and Business Fluctuations; by D. D. Ray. Gainesville, Florida. 1960. (University of Florida Press, 58*s* 6*d*.)

Accounting Manual for preparing balance sheets and income statements. (Standard Oil Company). New Jersey. From c. 1954. (Loose-leaf.)

Accounting Systems for the small and medium-sized business; by C. D. Whiteside. Englewood-Cliffs, N.J. 1961. (Prentice-Hall, 120*s*.)

Accounts Manual. (British Overseas Airways Corporation.) (Loose-leaf. 1961.)

De Boekhouding eener Hypotheekbank; by J. Hagers. Gravenhage. 1913. (Pottiez, 7*s* 2*d*.)

Business Economics and Statistics; by A. J. Merrett & G. Bannock. 1962. (Hutchison, 42*s*.)

Canadian Master Tax Guide . . . (C.C.H. Canadian): seventeenth edition. Ontario. 1962. (C.C.H. Canadian, 40*s*.)

Contributions of Four Accounting Pioneers: Kohler, Littleton, May, Paton: digest of periodical writings; by J. D. Edwards & R. F. Salmonson. East Lansing, U.S.A. 1961. (Michigan State University, presented by *The Accountant*.)

Cost Reduction Guide for manufacturing management; by H. C. Morse & E. E. Wyatt. Chicago. 1961. (Wyatt & Morse, 147*s*.)

Death Duty Mitigation; by H. D. Argent. 1962. (Business Publications, 35*s*.)

Efficiency Comparisons within Large Organizations: with an analysis of efficiency and the factors affecting it. . . . (British Institute of Management). 1962. (B.I.M., 27*s* 6*d*.)

The Evaluation of Common Stocks; by A. Bernhard. New York. 1959. (Simon & Schuster, 36*s* 6*d*.)

Farm Planning and Management; by C. H. Blagburn. 1961. (Longmans, 45*s*.)

Ghana and Sierra Leone: the development of their laws and constitutions; by T. O. Elias. 1962. (Stevens, 70*s*.)

Hire-Purchase Credit and Finance; by V. R. Fox-Smith. 1962. (Stevens, 55*s*.)

Jersey: Income Tax Legislation. (Bigwoods.) Jersey. From 1961. (Loose-leaf.)

The Just Wage; by M. Fogarty. 1961. (Geoffrey Chapman, 30*s*.)

Legal Problems of the Common Market and European Free Trade Area: a course of lectures. (Law Society.) 1962. (Law Society, 7*s* 6*d*.)

Lexique U.E.C. Lexicon . . . accounting dictionary. . . . (Union Européenne des Experts Comptables, Economiques et Financiers). Düsseldorf. 1961. (U.E.E.C.E.F., 115*s.*)

Management Games: a new technique for executive development; by J. M. Kibbee, C. J. Craft & B. Nanus. New York. 1961. (Reinhold, 50*s.*)

Mine Accounts and Mining Book-keeping . . . ; by J. G. Lawn: seventh edition. 1911. (Pottiez, 10*s* 1*d.*)

Newnes Dictionary of Dates; by R. Collison. 1962. (Newnes, 35*s.*)

Partnership and Company Law; by R. R. Pennington. 1962. (Butterworths, 45*s.*)

Practical Financial Statement Analysis; by R. A. Foulke: fifth edition. New York. 1961. (McGraw-Hill, 69*s* 6*d.*)

A Study of Management Services by Certified Public Accountants; by J. E. Redfield. Austin, Texas. 1961. (University of Texas, 37*s* 6*d.*)

Taxation in Canada; by J. H. Perry: third edition. Toronto. 1961. (University of Toronto Press, 100*s.*)

*Underhill's law relating to Trusts and Trustees; by Sir A. Underhill: eleventh edition. by C. M. White and M. M. Wells. 1959. Second supplement 1961. (Butterworth, 12*s* 6*d.*)

UK, Commonwealth and Common Market; by J. E. Meade. 1962. (Institute of Economic Affairs, 5*s* 6*d.*)

Use and Abuse of Statistics; by W. J. Reichmann. 1961. (Methuen, 22*s* 6*d.*)

'Who Makes That?': a guide to the makers of about 4,000 branded products and processes; by D. W. A. Gregg. Cheltenham. (1962.) (Gregg, 10*s* 6*d.*)

*This book has been presented to all District Society Libraries under the grant of books scheme.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

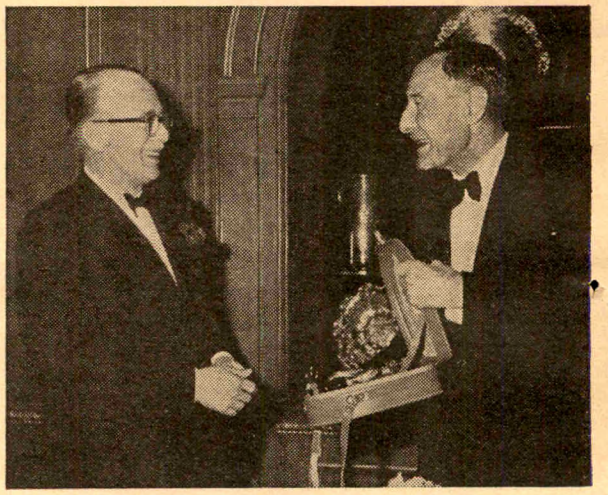
Presentation to Mr D. V. House

Mr Donald V. House, who has resigned from the secretaryship of the Chartered Accountants' Golfing Society after over thirty years in that office, was the guest of honour of the Society at a dinner in the Hall of the Haberdashers' Company, London, on April 6th.

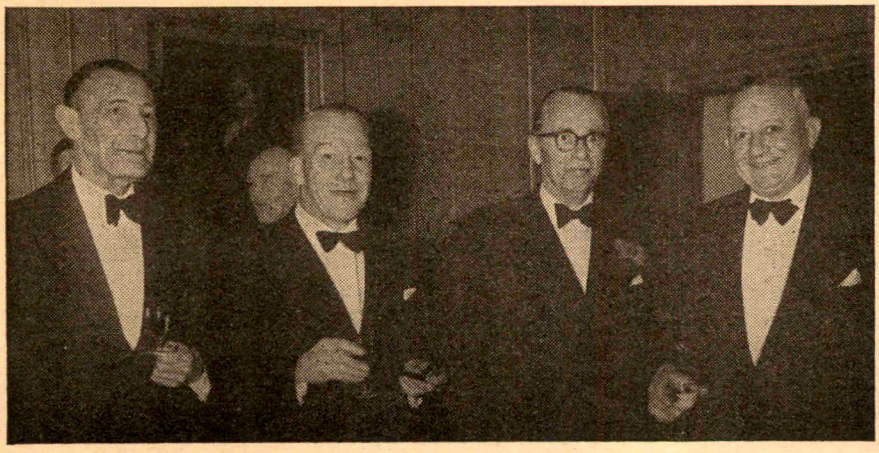
The Society's President, Mr Bernard Pittman, in a tribute to Mr House, said his work for the Society went back even further than thirty years, for he had been assistant secretary for a long time before that. Mr Pittman expressed the Society's appreciation of Mr House's sterling service and on behalf of members presented him with a Paillard Bolex B8L cine-camera and a Eumig P.8 projector. Members gave Mr House a standing ovation and sang 'For he's a jolly good fellow'.

Replying, Mr House expressed thanks to those who had helped him in his job as secretary, mentioning particularly his former private secretary, Mrs Taylor; Mr Charles Emmerson, his first assistant secretary; the President; and Mr L. R. Elcombe and Mr L. E. Parsons, Vice-Presidents. In conclusion, he expressed his good wishes to the secretary-elect, Mr E. H. Head.

Mr House writes: I should be grateful if you would allow me the courtesy of your columns in order to thank all those friends in the Society whose generosity provided the magnificent present which was given to me at the dinner on Friday last. I am most grateful and the cine-camera and projector will always remind me of the happiest job which I have ever undertaken.



Presentation of the cine-camera to Mr House (*left*) by the Society's President, Mr Bernard Pittman.



Mr House with officers of the Golfing Society. *Left to right:* Mr Bernard Pittman, President; Mr A. W. Coleman, Chairman; Mr House; and Mr L. R. Elcombe, a Vice-President.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Annual Meeting

The annual meeting of The Institute of Chartered Accountants in England and Wales will be held in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London EC2, on Thursday, May 3rd, at 2 p.m. It will be followed by a special meeting for the purpose of amending one of the bye-laws.

Luncheon Party

The President of the Institute, Mr Paul F. Granger, F.C.A., and the Vice-President, Mr Percy F. Carpenter, F.C.A., gave a luncheon party on April 6th, at the Dorchester Hotel. The guests were:

Mr Edward Heath, M.P., The Earl of Cromer, Sir Edmund Compton, Sir Henry Jones, Sir Milner Holland, Q.C., Mr Gordon Richardson, Sir Thomas Robson, Sir Richard Yeabsley, Mr J. Godfrey and Mr Alan S. MacIver.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual general meeting of The Chartered Accountants' Benevolent Association will follow the annual meeting of the Institute referred to above.

PROFESSIONAL NOTICES

MESSRS BLACK, GEOGHEGAN & TILL, Chartered Accountants, of 54 Old Broad Street, London EC2, and 10 Lefebvre Street, Guernsey, announce that they have admitted into partnership Mr H. HALE CROSSE, A.C.A., who has been a member of their London staff for a number of years. They also announce that Mr R. A. DE PUTRON, A.C.A., and Mr C. S. MOLLETT, A.C.A., who have for many years served on the Guernsey staff, have been admitted as partners in their Guernsey practice.

MESSRS CARNABY HARROWER, BARHAM & CO, MESSRS GEORGE PYKETT and MESSRS WILKINSON, CHATER & CO, Chartered Accountants, all of London, announce that they have amalgamated their practices as from April 6th, 1962. The combined practices are being carried on from 28 Queen Street, London EC4, under the firm name of CARNABY HARROWER, BARHAM & PYKETT. Accommodation has been retained for the use of the retiring partners, Mr GEORGE PYKETT, M.C., F.C.A., and Mr H. A. KINNEY, F.C.A., and they will be available through the practice address. The partners of the new firm are Mr A. M. HENDRY, T.D., F.C.A., Mr P. L. NEILD, T.D., F.C.A., Mr J. S. H. VINE, D.S.C., F.C.A., Mr W. E. WEBBER, F.C.A., Mr M. A. P. GAY, F.C.A., Mr M. F. PICKETT, A.C.A., and Mr J. H. PIZZEY, A.C.A., with Mr GEORGE PYKETT as consultant.

MESSRS W. G. HAWSON, WING & CO, Chartered Accountants, of Hartshead Chambers, Sheffield 1, announce that Mr P. D. MILLS, A.C.A., and Mr R. N. FROST, A.C.A., who have been members of their staff for a number of years, have joined the firm as partners.

MESSRS JAMES, EDWARDS & CO, Chartered Accountants, of Salisbury House, London Wall, London EC2, regret to announce the death of their former senior partner Mr HAROLD GARTON ASH, O.B.E., M.C., F.C.A., on April 7th, 1962. [An obituary notice appears on the following page of this issue].

MESSRS MARTIN, FARLOW & CO, Chartered Accountants, of 27 Finsbury Square, London EC2, announce that they have taken into partnership Mr MERVYN H. BRADBURY, F.C.A., and Mr EDGAR A. HASLAM, F.C.A., and that Mr W. G. STRACHAN, F.C.A., who has been a partner with the firm for many years, has retired but will continue to be available in a consultative capacity.

MESSRS MAXTONE GRAHAM & SIME, Chartered Accountants, of 54 Old Broad Street, London EC2, and of Edinburgh, announce that Mr H. HALE CROSSE, A.C.A., has been admitted as a partner in their London practice.

MESSRS HERBERT PEPPER & RUDLAND, Chartered Accountants, of Walsall and Aldridge, announce that they have taken into partnership Mr CLIFFORD EDWARD HUBBOLD, A.C.A., who served his articles with the firm and has since been a senior member of the staff.

MESSRS HARRY L. PRICE & CO, Chartered Accountants, 47 Mosley Street, Manchester 2, announce that Mr ARTHUR TYLDESLEY EAVES, F.C.A., their senior partner, who has been with the firm for fifty years, retired as a partner on March 31st, 1962. He is being retained by the continuing partners as consultant, and will also remain in office in respect of the various trust matters in his name.

MESSRS SHEARS & GILBEY, Chartered Accountants, of 27 Gloucester Place, London W1, announce that as from April 2nd, 1962, Mr ALAN GILBEY, A.C.A., was admitted a partner in the firm. The style of the firm remains unchanged.

MESSRS A. & C. SURREY & CO, Chartered Accountants, of Portland House, 73 Basinghall Street, London EC2, announce that as from April 1st, 1962, they have admitted Mr CEDRIC J. HODGSON, A.C.A., as a partner. The style of the firm remains unchanged.

MESSRS W. T. WALTON & SON, BASIL L. DENTON & CO and W. T. WALTON, SON & ROWLAND, Chartered Accountants, of West Hartlepool, Stockton-on-Tees, London and Liverpool, announce with regret the retirement as at March 31st, 1962, of their senior partner Mr ROBERT HENRY STAFFORD, F.C.A., after fifty-two years' service with them. As from April 1st, 1962, Mr W. I. R. ALDERSON, A.C.A. (West Hartlepool), Mr P. W. BARFOOT, A.C.A. (London), and Mr J. HAY, A.C.A. (Liverpool), who have been members of their staffs for some years, have been admitted into partnership.

Appointments

Mr J. F. Body, F.C.A., has been appointed chairman of De Jong Machinefabriek N.V.

Mr D. A. Day, A.C.A., has been appointed assistant secretary of Rickett, Cockerell & Co Ltd.

Mr S. W. Fewster, F.C.A., has been appointed an additional director of Joseph May & Sons (Leeds) Ltd.

Mr W. R. C. Halpin, B.A., F.C.A., has joined the borad of Executive Appointments Ltd as a consultant.

Mr Charles E. M. Hardie, O.B.E., F.C.A., has been appointed a director of Bowmaker Ltd.

Mr W. G. Howes, F.C.W.A., has been appointed production director of Sexton, Son & Everard Ltd.

Mr J. F. Nash, F.C.A., has been appointed a director of New Finance (Peterborough) Ltd.

Mr T. A. Nicol, F.C.A., has been appointed a director of Swan Hunter & Wigham Richardson Ltd.

Mr L. H. Owen, F.C.A., has been appointed financial consultant to Ernest Scragg & Sons Ltd and subsidiary companies.

Mr D. A. C. W. Parker, O.B.E., T.D., C.A., has been appointed a director of Copthall Holdings (Dalgety) Co Ltd.

OBITUARY

Harold Garton Ash, O.B.E.(Mil.), M.C., F.C.A.

It is with regret that we record the death at the age of 77 at his home in Harpenden, Herts, on April 7th, of Mr Harold Garton Ash, O.B.E.(MIL.), M.C., F.C.A., a Past-President of The Institute of Chartered Accountants in England and Wales.

Senior partner in the firm of James Edwards & Co, Chartered Accountants, of London, until his retirement in June 1959, Mr Garton Ash was articled in 1901 to the late Mr J. H. Duncan, of Duncan & Co, of London, being admitted an Associate of the Institute in 1906. He commenced to practise on his own account in 1912. After service in the First World War in France, Salonika and Palestine, for which he was awarded the O.B.E.(MIL.), and Military Cross and bar, he returned to practice and was elected to fellowship of the Institute in 1919. He amalgamated his own practice with that of James Edwards & Co in 1933.

Elected a member of the Council of the Institute in 1938, he subsequently served on many of its committees: the Applications Committee (1938–46); Investigation Committee (1942–49) and again from 1951–58, serving as Vice-Chairman for nearly six years; Planning Committee on its formation in 1945 until its dissolution in 1951; General Purposes Committee (1946–58), being Vice-Chairman in 1948–49 and Chairman in 1951–54; and the Summer Course Committee (1949–51). Mr Garton Ash was also a member of the Joint Parliamentary Committee of the Accountancy Profession. In 1952, he served as Chairman of the Council of the Sixth International Congress on Accounting in London.

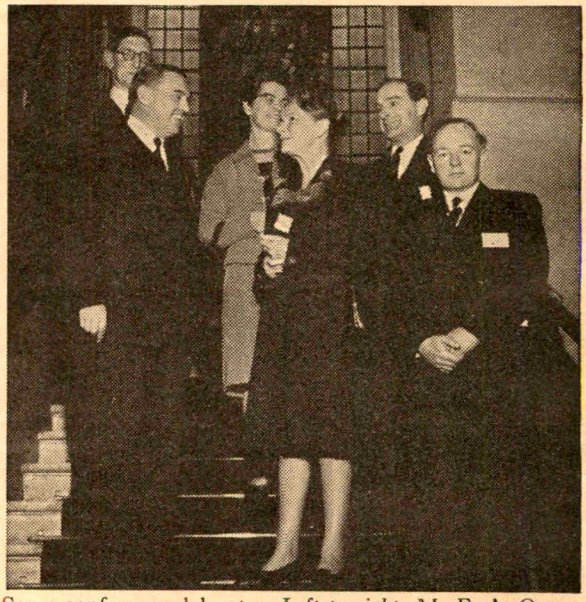
Apart from his active interests in Institute affairs, Mr Garton Ash was a member of the Council of the Lawn Tennis Association, and latterly served as honorary treasurer. He was also a freeman of the City of London and a member of the Worshipful Company of Wheelwrights.

A memorial service will be held in London on April 17th at 11.30 a.m. at St Lawrence Jewry, near Guildhall.

CONFERENCE OF UNIVERSITY APPOINTMENTS OFFICERS

About thirty officers of university appointments boards accepted an invitation of The Institute of Chartered Accountants in England and Wales to a one-day conference at Moorgate Place on March 29th – the second occasion on which a meeting of this kind has been arranged. Morning and afternoon discussions were held at which leading members in practice, commerce and industry emphasized the desire of the Institute to increase its recruitment of graduates.

Careers advisers at the universities are, for the most part, well acquainted with the basic regulations of the Institute and with the scope of the opportunities after qualification. Their main interest was in the arrangements made by individual firms to assist training and in the financial and other conditions of articled service. From their special knowledge they were able to contribute much valuable information and opinion on the academic and social background of those graduates who at present consider entry into articles. They also suggested ways in which the Institute might widen the field of potential recruits.



Some conference delegates. *Left to right:* Mr E. A. Ovens (*Sheffield*), Mr E. H. K. Dibden (*London*), Mrs G. Baker (*Institute Information Officer*), Dr Elsie M. Briggs (*Bristol*), Mr H. B. Putt (*Wales*), and Mr H. D. Thomas (*Wales*).

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DOUBLE TAXATION: UNITED KINGDOM AND MALTA

The Double Taxation Agreement between the United Kingdom and Malta was published last week as a Schedule to an Order in Council numbered S.I. 1962, No. 639.

LOCAL LOANS FUND
Reductions in Interest Rates

It has been announced by the Treasury that as from April 7th, 1962, the rates of interest charged on loans advanced by the Public Works Loan Board from the Local Loans Fund to local authorities will be as follows:

	Per Cent	
Loans for not more than five years ..	$6\frac{3}{4}$	$(6\frac{7}{8})$
Loans for more than five years but not more than fifteen years	$6\frac{3}{4}$	$(6\frac{7}{8})$
Loans for more than fifteen years but not more than thirty years	$6\frac{3}{4}$	$(6\frac{3}{4})$
Loans for more than thirty years	$6\frac{3}{4}$	$(6\frac{3}{4})$

The current rates of interest are shown in brackets; these have been in force since November 11th, 1961. The rates of interest on existing loans are unaffected.

ASSISTANT OFFICIAL RECEIVER APPOINTMENT

The Board of Trade announce that Mr Stanley Pollard has been appointed an Assistant Official Receiver for the Bankruptcy Districts of the County Courts of Aylesbury, Banbury, Brentford, Chelmsford, Edmonton, Hertford, Newbury, Oxford, Reading, St Albans and Southend. The appointment took effect on March 19th, 1962.

TAX RELIEFS FOR EXPENSES

The Income Tax Payers' Society, has published for members only a new booklet entitled *Income Tax and Your Expense Account.*

Written by P. J. Naish, it explains the tax position of business expenses incurred by employees taxed under Schedule E. It describes the differences in treatment under present tax law of expenses of employees and those of self-employed taxpayers.

DIRECTORY OF UNIT TRUSTS

The 1962 *Directory of Unit Trusts* issued by the Association of Unit Trust Managers now on sale contains general information about unit trusts, the names and addresses of members of the Association together with details (including a portfolio description) of the trusts which they manage, and a description of the aims of the Association.

In particular, the booklet summarizes what a unit trust is and how it operates; describes the savings schemes run in conjunction with the trusts managed by members; explains how units may be bought and sold and outlines the income tax position of unit holders. There is also a short historical sketch of the growth of unit trusts in the United Kingdom, the sales and repurchases of units in each month of 1960 and 1961 and high and low prices quoted in 1961.

Copies of the Directory are obtainable from the secretary of the Association, 306–308 Salisbury House, Finsbury Circus, London EC2, price 2*s* 6*d* post free.

BELFAST SOCIETY OF CHARTERED ACCOUNTANTS
Annual Meeting

The annual report of the Belfast Society of Chartered Accountants presented at the Society's annual meeting on March 26th records a total membership of 832, being an increase during the year of thirty-three members. Of these, 181 were members in practice, 309 not in practice, and 342 students.

A number of lecture meetings were held and eminent guest speakers included the Rt Hon. J. L. O. Andrews, M.P., Minister of Commerce for Northern Ireland. A successful week-end residential course was held at Portstewart, when some seventy members were present. Social functions included the annual dinner and dance and the annual golf meeting.

The Industrial and Administrative Group passed another successful year and increased its membership by nineteen; membership of the Students' Group also increased and there were improved attendances at the alternating luncheon and tea lecture meetings.

Addressing the annual meeting, Mr D. H. Templeton, F.C.A., Chairman of the Society, referred to the period of change through which the profession is passing. New techniques in auditing, the introduction of management accounting and the development of costing techniques and mechanized accounting had meant increased demands for chartered accountants both in practice and commerce. 'It is becoming increasingly difficult', he said, 'to obtain properly qualified staff in the profession and this shortage was accentuated by newly-qualified chartered accountants rushing into industry immediately.' This in his opinion was quite wrong; young chartered accountants should be encouraged to stay at least two years in a practising accountant's office after qualification. This post-graduate training, he declared, was invaluable to the young men and helped to raise the standard of accountancy work not only in the profession, but also in industry and commerce.

The following were elected to office for the ensuing year:

Chairman: Mr B. A. Courtney, M.COM.SC., F.C.A.
Vice-Chairman: Mr E. W. McDowell, F.C.A.
Hon. Secretary: Mr D. M. Foster, F.C.A., Imperial Buildings, 72 High Street, Belfast 1.
Treasurer: Mr N. G. White, F.C.A.
Committee: Messrs A. N. Lovesy, F.C.A.; K. E. D. Mackerell, F.C.A., T. Donnelly, A.C.A.; J. T. Montgomery, F.C.A.
Hon. Auditor: Mr N. W. Allen, F.C.A.

A vote of thanks to the outgoing chairman was proposed by Mr A. N. Lovesy, F.C.A.

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ANNOTATED TAX CASES

Part 9 of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Rennell v. C.I.R.* (Ch.D.); *Butter v. Bennett* (Ch.D.); *In re Courtauld's Settlement* (C.A.); *Australian Mutual Provident Society Ltd v. New Zealand Inland Revenue Commissioner* (P.C.); *C.I.R. v. Ridge Nominees Ltd* (C.A.); *Hong Kong Commissioner of Inland Revenue v. Four Seas Co Ltd* (P.C.); *C.I.R. v. Henty & Constable (Brewers) Ltd* (C.A.); *In re Roberts' Settlement Trusts* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50*s* post free; the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Cambridge Residential Course

This four-day course, designed primarily for members in pre-Intermediate stage, was well over-subscribed. This testifies to its popularity due to its contribution in the wider aspects of professional education. The course started in Cambridge on Thursday of this week. There are seventeen discussion groups in college for the 292 students taking part in the course and the general meetings are being held in the large lecture theatre of the Zoology Department of the University.

Magazine

The magazine of the Society will be called *Contra*. The first issue was published in the first week of this month. Comments and literary contributions will be welcome. Readers should direct their inquiries to the Editor.

London Students' Diary

Arrangements are being made for the issue of diaries for the year 1963. Too optimistic a forecast for the 1962 diaries has left the Society with an unsold surplus. Copies are therefore being issued free to new members.

Union of Chartered Accountant Students' Societies

The detailed record of the conference of students' societies held last December is now available and may be seen at the library.

Society's Year

The practice of preparing the Society's annual report and accounts to December 31st has given rise to many difficulties and it has been suggested that the date should be changed to April 30th. This will enable the committee's report and accounts to cover a full year of the Society's activities instead of the two halves of different years under the present method.

Annual General Meeting

The alteration in the date of accounts will have to be passed at the next annual general meeting, due to be held on Monday, April 30th, at 5.30 p.m., in the Chartered Insurance Hall. Members should not miss this opportunity of expressing their views on the affairs of their Society. Notice of the meeting, together with the annual report and accounts, will be sent to the members in the near future.

1962 Budget

The estimate of income and expenditure for 1962 showed a substantial deficit. In order to reduce the debit balance the committee have decided to increase the charge for the Oxford Week-end Course and to reduce the provision for sports by 36 per cent. This has involved the cancellation of some fixtures with distant student societies. It still leaves a considerable estimated deficit, a large part of which is the cost of the experimental first issue of the magazine.

Mr J. Woolgar

On doctor's orders, Mr J. Woolgar has, unfortunately, had to give up his articles. His active membership of the committee will be missed, though he was only elected at the last annual general meeting. The committee decided not to fill the vacancy in view of the near approach of the next annual general meeting.

Practical Aspect Lectures

The annual series of 'Practical aspect' lectures held by the Society commences next week from April 16th–19th in the Oak Hall of the Institute.

The lectures are designed to give students who have already acquired textbook knowledge an opportunity to hear lectures on practical aspects of the accountant's work. Subjects will include 'The accountant's place in an industrial organization', 'Accounting for management'; 'Economic effects of taxation' and 'Stock exchange practice.'

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THE
ACCOUNTANT

ESTABLISHED 1874

APRIL 21ST, 1962 VOL. CXLVI. NO. 4557

CONTENTS

Page

The Institute's Year 469

Standard Costs and Stock Valuation
by *H. A. V. Wilson, B.Com., F.C.A., A.C.W.A.* 471

Swapped Digits
by *Fred T. Neely, C.P.A.* 475

Thinking in Figures
by *H. C. Edey, B.Com., F.C.A.* 477

Profit and Loss
by *A Member of The Accountants' Christian Fellowship* 484

Weekly Notes
The Association's New President – Irish Budget – Sitting on Inflation – Publicizing Technical Co-operation – New Base for Production Index – Higher Machine Tool Exports – 'Dynamic Pensions' 485

This is My Life . . .
by *An Industrious Accountant* 487

Finance and Commerce
Associated Motor Cycles Ltd – City Notes – Rates and Prices 488

Correspondence
The Training of Accountants – Football Club Transfers – How to Decimalize the Currency 491

The Institute of Chartered Accountants in England and Wales
Report of the Council for 1961 493

London Chartered Accountants' 'Big Game' 516

Notes and Notices 517

Holiday Crossword
Compiled by Kenneth Trickett, F.C.A. 520

The Institute's Year

THE income of The Institute of Chartered Accountants in England and Wales in 1961 from all sources amounted to £292,270. Of this impressive sum, no less than £251,451 was derived from members mostly by way of annual subscriptions. The corresponding totals for 1960 were £275,382 and £241,849. Expenditure in 1961 was £280,592 as against £250,653 in the previous year, the largest increase being in administrative salaries which rose from £75,605 to £94,723. The excess of income over expenditure, £11,678 (as compared with £24,729 for 1960), was transferred to the Accumulated Fund which, at December 31st, 1961, stood at £318,389. Although these figures certainly convey a comforting impression of financial stability, the Council in its 1961 report – reproduced elsewhere in this issue – points out that the present resources and income of the Institute will have to be substantially augmented in order to deal with the long-term problem of accommodation and with the continuing expansion of its activities.

In 1961, the membership of the Institute reached the record strength of 35,228, an increase of 1,351 during that year. By a simple and sensible amendment of certain bye-laws, a member practising in Scotland or Northern Ireland is no longer regarded as being in a foreign country and may take articled clerks in the same way as do his colleagues in England and Wales. As a consequence of this process of envelopment, he must now, however, pay the 'town' instead of 'country' subscription rate.

The number of articles of clerkship registered in 1961 was 3,240 which is 248 more than for the previous year. Again the examination results were remarkable for their consistency. During the past six years, the percentage of passes in the Intermediate examination has only varied from 46 to 49 and in 1961 it was 47. In the Final examination, except for 1956 when it was 42, it has remained within the same limits and in 1961 it was also 47. What might be called the final Final examination of The Society of Incorporated Accountants was held in November 1961.

The report of the Parker Committee dealing with the education and training of articled clerks made its appearance in May 1961 and its three score and ten recommendations have since been considered in detail by the Council and by the committees of the district societies. The Council now announces that many of the proposals made by the Parker Committee have been adopted in principle and that announcements regarding their implementation will be made in due course. Fundamental changes in examination syllabuses invariably cause awkward transitional problems and

the time-table and procedural steps will require careful advance planning.

In 1961, the Council made a start with the publication of a series of Statements on Auditing. The first of these dealt with general principles and appeared in August. The second, on the thorny subject of stock-in-trade and work in progress, was issued last month. In welcoming 'General Principles of Auditing', we said that the profession should be grateful to the Council for restating old truths in clear outline and with full regard for the changes which are constantly taking place in an apparently changeless routine. The second statement had the same hall-marks as the first and the others in the series are keenly awaited both by practitioners and by students. Another Council publication which promises to be of outstanding interest are the notes entitled, 'Terms Used in Published Accounts of Limited Companies', which will be distributed next month.

For some time now, the Council has been concerned with the difficulties which the small practitioner, particularly in the provinces, has to contend with against unfair and unqualified competition, and in an attempt first to assess the size of the problem and, secondly, to formulate appropriate remedies, a questionnaire was circulated to all district societies in October of last year. The information obtained from this exercise is now being examined in committees and will thereafter be considered. It is evident from the letters which appear in our correspondence columns at intervals that a genuine grievance exists and effective action by the Council would be a stimulus not only to the Institute members concerned but to the whole profession. Another matter on the boil is the report of the Technical Activities Committee which was appointed in 1959 to review 'the whole question of the Institute's activities in the technical field'. This document is now in the hands of the Council for consideration.

During the year, the Council kept a watchful eye on Government legislation on all developments which are the direct concern of the profession. Although nothing was produced to equal in comprehensiveness the two memoranda prepared in 1960 for the Company Law Committee now deliberating on the possibility of company law-reform (although in point of time the second of these fell into 1961), the Council last year submitted evidence to the Robbins Committee on Higher Education (in August) and to THE CHANCELLOR OF THE EXCHEQUER (in May) on the 1961 Finance Bill. The Council also assisted the Stock Exchange in drafting amendments to its rules relating to the balance sheets of brokers and jobbers; on ex dividend and ex rights procedure, and on the transfer of securities. As all who undertake such work well know, behind a laconic reference of a few lines in the annual report may lie a mass of intricate and responsible work and the services performed by Council and committee members in these directions cannot be too often or too highly commended.

The success of the Institute's summer courses is strikingly demonstrated by the fact that whereas Christ Church, Oxford, comfortably housed the first pioneers of 1947, now four colleges (two each in Oxford and Cambridge) will be required for the 1962 migrations. We look forward to the day when an entire university will be given over each time to accommodate members wishing to participate in these delightful occasions. Another migration of even greater moment is the Eighth International Congress of Accountants at New York in September. Nearly 800 members of the Institute have indicated their interest in attending and three of their number have been invited to give papers while others will be acting in various official capacities.

Although statistics show that the library is being used more each year, the volume of activity still seems small in relation to the total membership and to the admirable facilities which are freely available. It is pleasing to note that the Institute, by acquiring a copy of *Divina Proportione*, has completed its collection of all the known printed works of Luca Pacioli. Another gap was filled by the appearance in 1961 of MR A. A. GARRETT's history of The Society of Incorporated Accountants. This is much more than a work of piety. It records with full knowledge and understanding an important phase in the history of accountancy and indicates what may be accomplished by accepting only absolute standards of professional endeavour. Members of the Institute, in reading their Council's report for 1961 cannot but feel that their interests, and those of the profession at large, are being looked after at the same scrupulous level.

Standard Costs and Stock Valuation

by H. A. V. WILSON, B.Com., F.C.A., A.C.W.A.

EACH year accountants in industry are faced with the problem of stock valuation for the purpose of the annual accounts. On the value placed on stock and work in progress depends the amount of profit for the year; this in turn affects the taxation assessment and may affect the amount of dividends to be paid. More and more businesses are introducing standard costs in place of historical costs as a means of cost control and as a basis for the preparation of management accounts at regular intervals throughout the year. The change from historical costs to standard costs has inevitably affected the work of valuing stock and the object of this article is to discuss the various points involved.

Early Years of Standard Costs

When a system of standard costs is introduced every attempt is made to value the stock for balance sheet purposes on a basis which is consistent with previous years. In the first few years of the system the work of valuation is often difficult; it is usually necessary to apportion the variances arising throughout the year between the standard cost of stock and the standard cost of sales. Variances frequently arise in the early years of a standard cost system because reliable production standards in terms of material usage and operating times are not available from the outset of the system; the cost accountant has, therefore, to calculate the standard costs on inadequate information. In addition, to prepare an accurate production budget and overhead expenses budget requires considerable experience; large variances may arise simply through lack of this experience in budgeting.

In view of these early difficulties, and particularly for the first year-end, it is considered that all production variances should be taken into account when valuing stock. This may be regarded as the 'comprehensive' method of valuing stock, briefly described below.

'Comprehensive' Method of Valuing Stock at 'Actual' Cost

Stock should first be valued at standard works cost (this may be at 'direct' or 'variable' cost when all fixed overheads are excluded; or it may be at 'total' cost which includes both variable and fixed overheads). The valuation should then be analysed over cost elements and main groups within each cost element. The analysis over cost elements should be taken as far as it is practicable. For example, a light engineering company might analyse the cost of stock as follows:

Cost element	*Main group*	*Standard cost*	
		£	£
Materials	Ferrous	1,000	
	Non-ferrous	500	
	Castings	1,500	
	Bought-out components	4,000	
	Engines	800	
	Other materials	1,900	
			9,700
Labour	Machine shop	500	
	Assembly shop	300	
	Other workshops	1,200	
			2,000
Overheads – Variable	Machine shop	600	
	Assembly shop	450	
	Other workshops	4,550	
			5,600
Overheads – Fixed (if included in stock valuation)	Machine shop	300	
	Assembly shop	150	
	Other workshops	2,250	
			2,700
		Grand total	£20,000

The variances which have been experienced during the year are then examined in detail to determine the amount which should be applied to the standard value of stock. The variances would have been analysed throughout the year in order to supply foremen and managers with essential control information. Working back from the end of the year the variance is extracted on

enough of a main group of cost as will cover the amount of that group in stock. This is the application of the 'first in-first out' principle to variances in stock valuation.

The following example, based on the stock valuation as analysed in the previous paragraph, illustrates the adjustment which should be made to the standard cost of machine shop labour of £500. The adjustment arises from the labour variance which has been incurred during the year in the machine shop. This labour variance would have arisen from a number of causes such as increases in pay and loss of efficiency. In the example it is necessary to list figures for four months back from the end of the year before the standard cost of labour in production covered the standard cost of labour in stock:

	Standard cost of machine shop labour in production	*Labour variance*	
	£	£	
Month 12	150	15	unfavourable
,, 11	140	12	,,
,, 10	170	15	,,
,, 9	140	18	,,
	600	60	

Labour variance per cent $= \frac{60}{600} \times 100 = 10\%$ unfavourable.

The analysis of the stock valuation at standard cost shows that the standard cost of machine shop labour in stock is £500. On this basis, the adjustment to be made to the cost of machine shop labour in stock to arrive at 'actual' cost is £500 × 10 per cent = £50. Since the variance was unfavourable the £50 is therefore an addition to the cost of stock.

The degree to which it is necessary to analyse variances and standards costs must depend on the circumstances of each business. An analysis of a purchase price variance might reveal that the bulk of the variance related to one type of material used in one group of products. The variance could then be apportioned by reference to the material cost of that one group of products instead of to all the products which are in stock.

Treatment of Exceptional Variances

So far it has been assumed that in the early years of standard costs, all variances which related to standard cost of production would be apportioned between cost of stocks and cost of sales. But there may be instances even in the first year when a variance, or a distinct part of it, should be charged wholly to cost of sales. For example, an exceptional or non-recurring item of expense such as a major repair job following a breakdown, because it was not budgeted for, would go wholly to an expense variance. Such an item, if it had occurred, would have been ignored in previous years when calculating overheads for product costs; therefore, in the current year a variance on this item would be written off to cost of sales.

Volume variances (under or over recovery of fixed and semi-fixed expenses) may also be wholly or partly ignored for purposes of stock valuation.

For example, in previous years fixed and semi-fixed expenses may have been included in stock valuation on the basis of a normal level of production, and this basis may have been used to determine overhead rates under the standard cost system. In this event the volume variances should be ignored. On the other hand, the fixed and semi-fixed expenses may have been included in the previous years' stock valuations on the basis of the actual levels of production; to be consistent the volume variances should be brought into the calculation of the current year's valuation.

Modifications to 'Comprehensive' Method

Once the system of standard costs is well established, the whole question of the treatment of variances for the purpose of stock valuation should be reviewed. Before making such a review, however, it is useful to consider modifications to the 'comprehensive' method of valuing stock at 'actual' cost.

For some companies the comprehensive method of valuing stock at actual costs would be impracticable. The time or staff required to make the necessary detailed analyses of variances and standard cost of stock may be too much, in view of the time-table for finalizing the accounts and the volume of other work. As a result, short cuts have to be taken and it is advisable for the accountant to discuss these with the company's auditors. He should prepare specimen calculations to satisfy himself, and the auditors, that the accuracy of the end results will not be materially affected.

There are three main short cuts which are used in the early years of a standard cost scheme:

(i) Ignore all variances below a specified amount or which are below a specified percentage to standard costs.

If these variances have been analysed in some detail in the first place, thus restricting each variance to a limited type of cost element,

then the risk in adopting this short cut is minimized.

(ii) Calculate apportionments of variances over the whole or a very broad analysis of each cost element in stock; for example, the labour variances for all departments may be totalled and applied as one percentage to the standard cost of all labour in the stock.

Where production passes through all departments this global approach may be reasonably accurate. There could be a serious inaccuracy if the bulk of the products in stock pass through departments with large favourable variances. If this same approach is applied to price variances, large price variances (both favourable and unfavourable) will have been averaged out over all materials. There may then be considerable inaccuracy in the final figures of 'actual' cost of materials in stock. However, some large companies use this method and disregard the apparent inaccuracy.

(iii) Where there is not time to wait for the preparation of variance figures, use the variances which have been recorded up to the previous month and assume that the ratios of variances to standard costs apply also to the last month.

This method can be justified at the beginning of the standard cost system only when the time factor in completing the accounts is most critical. There is the risk of distorting the profit for the year by a grossly inaccurate stock valuation. In any event, once the last month's variances are available the adjustment to stock valuation should be recalculated to check that there was no substantial inaccuracy in the earlier calculation.

Established System of Standard Costs

As indicated in earlier paragraphs, it takes time for a standard cost system to operate efficiently. Most companies should be able to report a progressive improvement each year, due largely to the fixing of more scientific production standards and more accurate expense budgets. The result is a system of standard costs which is an effective instrument of cost control providing reliable costs of products – the main basis for stock valuation. The variances which are recorded and reported to management resulting from this improved system of standard costs will then have real significance.

Once this position has been reached the approach to valuing stock at 'actual' cost should be reviewed. It should no longer be necessary to adopt the 'comprehensive' method whereby all variances are brought into the calculation of stock valuation. Two methods of valuing stock seem to be in current use; the first is to ignore variances altogether, and the second is to take into account only variances which are non-controllable so far as the company is concerned. These methods are considered below.

Valuation at Standard Cost Only

The first method, whereby stock is valued at standard cost without adjustment for variances, is straightforward. It is not necessary to analyse variances and standard costs and to calculate the apportionments of variances between cost of stock and cost of sales. This method should only be adopted if the variances are negligible as it cannot be used without the risk of inaccuracy. The policy of some companies is to revise standard costs at regular intervals. This can be quarterly, or whenever major price changes take place, such as an increase in the price of an important raw material or the granting of a pay award. The effect of this regular or continual revision of standard costs is to minimize variances so that standard costs always approximate to actual costs. This system does, however, complicate routine accounting procedures and numerous adjustments may be necessary to the costing records. One company, where the cost of materials forms the greater part of product cost, is reported to revise its standard material prices when major changes in prices occur and then to value stock at standard cost only.

Valuation at Standard Cost *plus* Non-controllable Variances

The second method values stock at standard cost with the addition of non-controllable variances but the exclusion of controllable variances. In this context, controllable variances refer to such items as labour efficiency, material usage, consumption of consumable stores and over or under recovery of fixed and semi-fixed expenses. These variances are ignored because standard costs for such items, being based on work study standards and production planning, are considered to be acceptable costs for the purpose of stock valuation.

Non-controllable variances refer to prices paid for materials, labour, indirect expenses and services. Variances arising on these items would be apportioned between stock and cost of sales. Some companies would still wish to use short-cut methods to make the apportionment of the variances. They might use methods described

earlier in this paper and the comments made then would be as valid.

These non-controllable variances need not be taken wholly into account when calculating the value of stock. For example, if an increase in price paid for materials is purely a temporary increase due to special circumstances, then it would be reasonable to exclude this from the calculation of the apportionment. Unfortunately, increases in labour costs and in many indirect expenses are likely to be of a permanent rather than temporary nature.

However, any non-controllable variance arising out of special circumstances, such as a strike or a breakdown of equipment, should be isolated and excluded from the calculation for stock purposes; in most cases it would be excluded on the basis that the value of stock is not really increased by such an event.

Valuation at Following Year's Standard Costs

It is now proposed to consider a method of valuing stock which is not normally used, yet if found suitable, it would save a considerable amount of clerical work. The method is to value stock at the following year's standard costs and to regard this as the actual cost for balance sheet purposes. It is claimed that this method deals automatically with variances arising at the end of the year. The new standard costs take price changes into account, thus the proposed method also obviates the need to make comparisons with replacement price or net realizable value.

In order to assess whether these claims can be substantiated, it is necessary to examine the assumptions on which the following year's standard costs might be based.

A system of standard costs can only be fully effective if budgets and standards are finalized at the commencement of the year to which they refer. To achieve this timing, the work of preparing budgets and standards is begun about three or four months before the beginning of the year to which they relate. The standards for prices of raw materials, wage rates and prices of overhead expenses are generally fixed at the prices ruling at the time of preparation. On that basis the following year's standard costs, so far as prices are concerned, would be as accurate as previous year's standard costs adjusted for price variances. However, if increases in prices are probable the new standard prices would be based on the higher prices. For example, there may be a national increase in wage rates or contracted increases in the prices of materials. Depending upon the extent to which the standard prices anticipated these changes during the year there would be a corresponding overstatement in the valuation of stock at the end of the previous year. With regard to the overhead expenses it is usual to calculate the standard cost rates on the basis of annual budgets of expenditure. These budgets take into account probable changes in the size of departments, the proposed pattern of production and the equipment to be used. Consequently, the standard cost rates may reflect a position which has still to be achieved rather than the position as it was at the end of the previous year. On the other hand, this may not be so and where few changes are expected in the production departments the standard cost rates might accurately reflect the actual costs being incurred at the end of the previous year. The following year's rates could therefore then be used for evaluating the current year's stocks.

Certain conditions should apply if the valuation of stock at the following year's standard costs is to be equivalent to the actual cost. Briefly summarized they are:

(i) Standard prices of raw materials and indirect expenses and standard wage rates for the following year should be approximately the same as those being paid during the build-up period of the stocks.

(ii) Standard overhead rates for the following year should be approximately the same as those which could be computed for the production departments during the build-up period of the stocks.

If these two conditions apply, and there are businesses where they do, then there seems to be every reason why, for balance sheet purposes, the stock should be valued at the following year's standard costs. The number of companies using this method is likely to grow.

Conclusion

This article has dealt with the problems of arriving at the 'actual cost' of stock where a system of standard costs has been installed. Once the stock has been revalued at actual cost then such factors as replacement prices, net realizable value and obsolescence have to be taken into account. Though these factors are of substance they are not related to the problems of standard cost and therefore have not been considered in this article.

Swapped Digits

by FRED T. NEELY, C.P.A.

THE recognition of place value in the use of its magic digits has given the Arabic system of notation a place of greatness among the achievements of the ages. Even when tired or careless workers copy numbers so that two of the digits swap places, the magic persists and provides a clear and simple method of detecting the error that has resulted.

When the letters of a word are transposed by a typist or a printer, the fact that these characters of the alphabet have swapped places is usually apparent to the reader. Letters must form an inflexible pattern in the spelling of a word. In contrast, the arrangements of Arabic digits have no limits to their flexibility. If two digits are transposed when written, the act of swapping has not caused a lapse in style or format which suggests an error has been made. Thus, if 134 is shown as 143, there is no apparent inaccuracy in the printed page. This is usually referred to as a transposition. Some individuals make the error frequently; some do it seldom or never. Everyone encounters such errors from time to time.

When 34 is written as 43, the place value of the Arabic system has been brought into operation. The two numbers use the same digits. But because of the place value of the digits, there is of course an error of 9. There are 99 one- and two-digit combinations, or if a zero or nought is placed before the one-digit numbers, it may be considered that there are 99 two-digit combinations. Nine of these are identical, as 11, 22, 33, etc. This leaves 90 two-digit combinations which can result in transposition errors if these consecutive digits swap places.

The smallest error that results from a transposition of two consecutive digits is 9, 90, 900, etc., depending on the order or place value of the digit that is transposed. This error can result only from the transposition of two consecutive numbers with a difference of 1. They are 10, 21, 32, 43, 54, 65, 76, 87, 98 and the same number written in reverse, 01, etc.

The largest error that results from the transposition of two consecutive digits is 81, 810, 8,100, etc., depending on the position or order of the number transposed. There are only two ways this error can occur. The digits 90 may be written as 09, or 09 as 90. In both errors, the value of the tens column has a value change of 90 with an offsetting error of 9 in the units column, or a net error of 81.

A listing of all the errors resulting from the transposition of consecutive two-digit combinations in the order of the size of the resulting error is shown in the table below. This shows the difference in the digits transposed which produces the error and lists the number of combinations in each error size.

Difference in digits transposed	*Amount of error*	*Number of combinations*
1	9	18
2	18	16
3	27	14
4	36	12
5	45	10
6	54	8
7	63	6
8	72	4
9	81	2
Total number of combinations		90

A glance at this table shows in repetitive detail that the amount of a transposition error is always nine times the difference of the digits transposed. Thus when an error of 63 is looked for, it will only be necessary to look back at numbers having a difference of 7 (63 divided by 9). These numbers are 70, 81, 92, 07, 18 and 29.

There are 45 two-digit combinations that will result in smaller numbers if transposed. The amount of the resultant errors and the combinations that will produce them are as follows:

9	18	27	36	45	54	63	72	81
10	20	30	40	50	60	70	80	90
21	31	41	51	61	71	81	91	
32	42	52	62	72	82	92		
43	53	63	73	83	93			
54	64	74	84	94				
65	75	85	95					
76	86	96						
87	97							
98								

The reader will note the rhythm in the pattern of these numbers. In the vertical column of both the tens and the units, the numbers follow the regular order of the digits. The horizontal pattern of the tens also follows the order of the digits. The units of each horizontal line are identical.

There are an equal number of two-digit combinations, 45, that will result in a larger number if transposed. The resultant errors and

the combinations that will produce them are shown below:

9	18	27	36	45	54	63	72	81
01	02	03	04	05	06	07	08	09
12	13	14	15	16	17	18	19	
23	24	25	26	27	28	29		
34	35	36	37	38	39			
45	46	47	48	49				
56	57	58	59					
67	68	69						
78	79							
89								

The reader will see, too, in this table the rhythmic pattern of the digits. Reading down, the digits follow in their natural order in both the tens and units columns. Horizontally, the number pattern of the units column also follows the sequence of the digits, while all the figures in the tens column of each horizontal line are the same.

In looking for a posting that caused a transposition error of, for instance, 72, 720, 7,200, etc., it would not be necessary to check all four of the number combinations. If a trial balance has a debit column that is too much by that amount, only 80 and 91 debit postings would be traced back from the ledger to the books of original entry. If a debit item of 08 or 19 in journal, sales book or other book of original entry has been transposed by posting as the larger debit number the error is accounted for. On the credit side, the amounts 08 and 19 would be checked back to the source entries. If it is found that 91 has been posted as 19, this locates the error and the ledger can be placed in balance through this correction.

Error in Trial Balance

In looking for an error in a trial balance when a transposition is suspected, the following general procedure should be followed.

If the total of the debits in the trial balance is larger than the credits, and the books of original entries are looked over for source of error: the debit entries should be checked for items which, if transposed, would have produced a larger amount. The credit entries should be checked for items which, if transposed, would have produced a smaller amount.

If the ledger is looked over for the possible cause of error where the total of the debits in the trial balance is larger than the credits: the ledger debit postings should be checked for amounts which, if the result of a transposition, would be larger than amount shown in the book of original entry. The credit items would be checked for a posting which, if the result of a transposition, would be smaller than the amount shown in the book of original entry.

An error resulting from a transposition is always exactly divisible by 9. The difference in the number transposed is found through dividing the amount of the error by 9. If the error is 45, then the difference in the numbers transposed is 5, as for instance, 16 written as 61 or 61 written as 16. If the difference is 450, the same transposition has occurred one column further to the left, as 160 written as 610. The size of error increases tenfold with each movement of one column to the left and the discovery of the error becomes relatively easier as very large numbers are usually less numerous than small ones in a group of accounts or transactions.

The transposition of 16 as 61 may find these digits as part of a larger number, as 4,161 written as 4,611, which in no way changes the nature of the error. It occasionally happens that there is an intervening number between transposed digits. If 142 is written as 241, there is a resulting error of 99. The explanation is very simple. The value of the third column to the left is increased by 100 while the unit column goes down in value by 1, making a net difference of 99. If 623 is written 326, the difference is 297. This is the product of 99 multiplied by 3, the difference in the numbers transposed. An interesting observation was once made to the writer about this by Mr Henry B. Fernald, a distinguished American accountant who lives in New York City. Mr Fernald observed that dividing 297 by 9 gives 33. He said:

> 'The 3 still indicates the difference between the figures transposed, but its being repeated again indicates that there is another column between the two where the transposition occurs. Or if 6,243 is written 3,246, the difference is 2,997 which divided by 9, will give 333. This indicates that the difference between the figures transposed is 3, that there are two columns between those in which the transposition occurs, and that the transposition is, therefore, between the fourth and the first columns from the right.'

On those great days of time when the place value of the Hindu-Arabic digits first found expression, no chroniclers were there to record those high moments of drama and achievement. Though the name of the creative genius is long since lost, his work and ideas that shaped a priceless legacy for the centuries to follow, will live for ever in the annals of great moments. With its blend of simplicity and magic, this legacy from the past offers to everyone who looks, a vital and useful skill that may be acquired through a few quick observations and some easy and pleasant practice.

Thinking in Figures

by H. C. EDEY, B.Com, F.C.A.

Scientists have long been accustomed to describing their ideas by using numbers. This idea is familiar to men and women engaged in industry and trade, though the methods they have used have been of a simpler variety than those employed by many scientists. What was once called mercantile arithmetic – and for many people this included the elements of book-keeping – has for a long time been an everyday tool of their work.

But commercial mathematics are now leaving the elementary stage. Automatic computers have made possible calculations of a size and complexity never before possible. This has opened up the way for the application to business of analytical processes using mathematics as far beyond the old-fashioned mercantile arithmetic as the moon-rocket is beyond the bicycle.

In this Travers Lecture[1], Mr Edey examines some of the implications of this for business and management, and for business education.

SIX thousand years ago, in the valley of the rivers Tigris and Euphrates, in the southern part of the land we now call Iraq or Mesopotamia, temple priests, responsible for the revenues of the gods, wrote down on clay tablets their statements of receipts and disbursements. These ancient pictographic accounts – perhaps the oldest written records in the world – may well have been the source from which arose both writing and arithmetic. The whole of human literature and the whole vast edifice of modern mathematics perhaps originated in the needs of archaic mercantile arithmetic.

Ancient Accounting

Two thousand years later, in the same valley, in the city of Ur – the city from which Abraham began his wandering – and I quote from Sir Leonard Woolley:

> 'there were a host of secretaries and accountants responsible for the revenues and outgoings of the temple . . . countrymen would bring their cattle, sheep and goats, their sacks of barley and rounds of cheese, clay pots of clarified butter and bales of wool; all would be checked and weighed and scribes give for everything a receipt made out on a clay tablet and would file a duplicate in the temple records . . . animals had to be issued for the daily sacrifices, the priests and the temple servants required to be fed, wood or metal might be needed for repairs to the [temple] fabric, even oil for the oiling of the door hinges would be drawn from the stores and for everything issued the storekeeper made out an issue voucher giving the name of the applicant, the nature and amount of goods required, their purpose and the authority on which the order was granted. Within the temple precincts there were regular factories where worked the women attached to the temple . . . the ledgers of the factory give a nominal roll of the women, the weight of wool issued to each at the beginning of the month, the lengths and weights of the specimens of cloth of various qualities which she produced at the month's end (a due allowance is made for unavoidable wastage in the process of manufacture), and then in parallel columns the amounts issued for her maintenance during the period, so much grain and cheese and cooking butter . . .[2].

These ancient accounts were not kept in money values, but in kind and, let me hasten to add, did not follow the rules of double entry, which did not yet exist; but we cannot doubt that the skills involved in keeping them – the inscribing of the cuneiform script in clay, the addition and subtraction of numbers – formed a worthy part of the curriculum of Sumerian education, and higher education at that, and ranked, we may surmise, level, as learned disciplines, with the astronomical studies to which we owe our 60 minute hour and our 360 degree circle – for unlike the

Mr H. C. Edey, B.Com., F.C.A. the author of this Travers Lecture, is Reader in Accounting at the University of London and a Governor of the City of London College where he gave the lecture on April 4th.

[1] John Ingram Travers, who was a partner in a firm of merchants in the City of London from which he retired in 1863, was active in promoting reform of the administration of the customs system. In recognition of his work in this direction the merchants and bankers of the City subscribed to a fund known as 'The Travers Bequest' to be used for providing lectures on commerce or commercial law.

[2] Woolley, *The Sumerians* (Oxford University Press): see also *Excavations at Ur*, by the same author (Benn).

electronic computer the Sumerians used a radix of sixty.

Three thousand years passed. During all this time I do not think that there was much change in the way that merchants or public officers of the civilized cities and states of Europe and the Near East handled their accounting records and mercantile calculations. There must have been indeed change in detail. Papyrus, or parchment, or waxed tablets might be substituted for clay. As time passed money values were more likely to be the units of account. But in the essential details of numbering, listing, adding and subtracting there was little change; and indeed the Greek and Roman number systems were inferior as tools of calculation to that of the Sumerians.

Rise of Double Entry

But around A.D. 1300 new ideas were arising in the Medieval city states of Italy. About that time a new accounting technique appeared that was to spread rapidly and become the standard of good accounting throughout Western Europe. We do not know just where double-entry book-keeping first arose or exactly how it came into being. It is, however, significant that not long before there had been a technical innovation of great importance – the introduction into Western Europe of a cheaper writing material, paper, and an innovation of equal importance in the tools of thought, for the Indian numbers brought to Europe by the Arabs were now coming increasingly into use; though, needless to say, the new-fangled numbers were deplored and successfully resisted for a long while by members of the Establishment of that time. But the simplicity of the new numbers made it possible for the writers of commercial arithmetics in Florence to develop improved rules for calculation[1], and may well have been decisive in suggesting the pattern of double entry[2]. It is characteristic of the period that the first known treatise on double-entry book-keeping – Pacioli's textbook of 1494 – should form part of a compendium on arithmetic, algebra and geometry, and their commercial applications.

The Italian merchant of that time was well trained in the arithmetic necessary for his business, including the use of compound interest and discount. He believed that accuracy and clarity were essential in business. As Sapori says, he was 'accurate in his computations and clear in his book-keeping'.[3] But he was also a man of culture. He took pains in recording matters of interest in the life around him whether relating to his business or personal affairs or otherwise. To quote Sapori again:

> 'The Italian merchant was orderly to the point of meticulousness; he was a shrewd observer and a clear thinker. Being always willing to learn he reached a high level of strictly professional competence. But he also created, by harmoniously combining his various achievements in different spheres of knowledge, a genuine mercantile culture which was broad, solid, and magnificent.'[4]

Medieval Business Education

As for education, a merchant's son would receive his basic training in a public school where he would be taught reading and writing and the use of the abacus. He would then enter commerce to acquire the book-keeping skills, and the knowledge of merchandise and geography and other matters, that would fit him to become a successful merchant. The public school was a matter of concern to the authorities: it was there that a boy received his basic education that fitted him to take his part as a citizen and prepared him for success in a business career.

I do not think that the Florentine boy's education would have seemed to a Victorian merchant inappropriate for a good employee in his own accounting house – one who might expect to rise in the business and perhaps become a partner in due course. I doubt whether the nineteenth century commercial texts differ greatly, except in matters of language and detail, from what would have been appropriate in Renaissance Italy.

Nor, in essentials, has there been a great change since Victorian days. Perhaps of all professions today, that of the chartered accountant is the most obviously appropriate for someone who wishes to acquire a general skill in business. As you know it has not been unusual for a father who wishes his boy to take his place in a family firm to send him first to be articled to a chartered accountant so that he can become skilled in financial matters. I am not sure that in fundamentals the professional education of the present-day chartered accountant covers such a very different field, or is even so very different in kind, from that of the Italian merchant. Let us look at the curriculum.

The basis of the whole curriculum is a sound training in the principles of double-entry book-keeping. This is designed to make the accountant, like the Italian merchant, 'accurate in his computations and clear in his book-keeping'.

He must be trained in the techniques of auditing – in the checking and verification of accounts and accounting reports. Yet auditing, Sapori says, was a task that might well fall to the thirteenth century Italian merchant who would often be required, along with fellow merchants, to examine the accounts of outgoing public officials.

Needless to say the chartered accountant must – like his Italian merchant forerunner – acquire a general knowledge of commercial and financial affairs, and of the law as it affects commercial activities.

Of cost and management accounting the Italian

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[1] Pledge, *Science Since 1500* (H.M.S.O.), page 48.

[2] Ste. Croix, 'Greek and Roman Accounting', in *Studies in the History of Accounting* (Ed. Littleton and Yamey), page 66.

[3] Sapori, 'Culture of Italian Merchants', in *Enterprise and Secular Change* (Ed. Lane and Riemersma), page 57.

[4] Ibid. page 65.

merchant was certainly concerned; though the nature of his business was such that detailed cost analysis beyond what was possible in his ordinary ledger – where, for example, he could separate the financial results of a given venture or activity from those of others, was hardly necessary. I do not think the training of the modern chartered accountant in cost accounting goes far beyond this. Mathematically speaking it requires no more than simple arithmetic.

Only perhaps when we turn to taxation do we find a really significant difference between the modern training of a chartered accountant and that of the Italian merchant. Yet even this is perhaps a question of degree rather than of kind. We may assume that the Italian was not unaware of the problems of tax.

The Italians went as far in their studies of compound interest and discount as is normal in business education today. I do not think it can be assumed that an English chartered accountant, a company secretary, or generally one who has studied business in commercial or technical college or elsewhere (I exclude such specialists as stockbrokers and actuaries) will necessarily have more than the slightest acquaintance with the standard compound interest and annuity formulae, or will be able to give a clear description of, for example, the significance of the gross redemption yields set against the Government securities that are listed daily on the back page of *The Financial Times*.

Generally, a Florentine merchant looking at the training of a modern professional accountant, a company secretary, or of others taking business courses today, would have little difficulty in understanding the nature of the course and the ideas governing its structure; and the techniques would be well within his range of knowledge.

Even the mathematical methods used by actuaries – the one class of people who have for many years consistently applied advanced mathematics to business problems – would not I suspect seem strange to our early Italians, once they understood the ideas lying behind the mathematics.

New Instruments and New Thought

I am not going to pretend that much of, shall we say, the average chartered accountant's work today is not far removed from the everyday detail of commercial life in Medieval and Renaissance Florence. The auditing or investigation of the financial statements of a complex group of companies requires a wide and specific knowledge of company law, revenue law, contract and agency law and their applications, of financial institutions and of their mode of operation, and of modern accounting methods. Nevertheless, in fundamentals, the change is not great. It is in detail rather than in kind.

There is an intimate connection between the growth in human knowledge and understanding and the development of instruments and tools. A new instrument is developed – the telescope, the X-ray tube, the electron microscope. At first it is crude and clumsy, but its potentialities are visible. Practical men – I am using the word not as an adjective of praise, but in the opposite sense to theoretical – develop the new instrument, improving as they go. New uses may be found for it, not at first suspected. The theoretical men are faced with a series of challenges. One is to fit the working of the new instrument into the general body of established theory – to explain why it functions as it does; sometimes this may not be necessary: the new invention may be a child of earlier theory, as the wireless was of Maxwell's theoretical work on electro-magnetic radiation. Another is to fit into the pattern of theory the new discoveries that the instrument makes possible. The theoretician himself may use the new instrument for testing the validity of old and new theories, as the big radio telescopes are now being used. Along with the new development in theory comes the need for new mathematical methods, or the application of methods already developed by the pure mathematicians, hitherto without an obvious use. Thus, new instruments produce new concepts and new concepts lead to new instruments, while both widen and deepen the fund of human knowledge and exend the tools of thought itself.

The Automatic Computer

The field of business is as open to this process as any other branch of human activity. We can see in the use of clay tablets in Sumer, and in the introduction of paper to Europe, examples of improvement in instruments – in the tools of intellectual activity and exploration. The men who first used pictographic inscriptions to express the ideas of numbers and things had made a step forward in the apparatus of thought so important that it is hard to find a suitable adjective to describe it. The introduction of arabic numbers was another such step. We may say that the rise of double-entry book-keeping was in a small way such a development, providing a systematic, logical, formulation for certain economic concepts. Seen in this light its growth in use, as the Italian cities moved towards the Renaissance, is part of the general pattern of growth in human knowledge and culture[1].

The time has come to speak of the electronic computer – or to use a better name, the automatic digital computer. I do not propose to say a great deal about the computer, deeply interesting though it is. Here I am concerned rather with the impact that I think this new instrument, along with modern mathematics, will have – and indeed is having – on business and on teaching for business. It would, in my view, be difficult to underestimate the importance of this new development. Life will never be the same again, any more than it could after the modern astronomical

[1] Cf. Yamey, Introduction to *Studies in the History of Accounting*, (op. cit.) pages 2–4.

telescope, by showing us the almost unimaginable vastness of the Universe, placed human life in a wholly new perspective.

Before I go on, however, I must distinguish between two, quite different, functions of the computer. The distinction is one well known to all who have to do with such matters.

On one hand, the computer provides us with a substitute for the clerical work of adding, subtracting, multiplying, dividing, writing down and transposing words and figures. It can indeed be regarded as a battery of very dull, but very accurate, obedient and fast clerks, each provided with an adding or multiplying machine, each able to read and write numbers, and to detect when one number is greater than or less than another, but little else. True, it is so much faster than any clerk or clerks that it can provide one with more accounting and statistical analyses, statements and summaries than could ever be obtained, or if obtainable, afforded, with older methods. (At this point I am irresistibly reminded of the story of the little girl who was asked to review a book on natural history. She wrote in her review 'This book tells me more about rabbits than I care to know'. If one is not careful a computer is liable to tell one more about one's business than one cares to know.)

Data Processing

This kind of activity is in itself of great importance. But it is not perhaps more than a development of the kind that started with the abacus itself, and had already gone far with the use of simpler mechanical and electrical computing machines. If it were possible, as I believe it soon will be, for a bank general manager to link all his branches by teleprinter to a central computer, so designed that the balance sheet for the whole bank is always on his desk before him, displayed, and continuously changing, on the screen of a cathode ray tube, this is really no more than one more step on a path long trodden, that leads back to Medieval Florence and the other Italian cities. Whether to use a computer for this kind of work is a matter of cost study. The decision is made, or should be made, just as one decides whether punched cards would be more profitable than hand-written ledgers (though it may be worth adding something on the credit side of the calculation for the benefits of research and experimentation). Double-entry principles are not rendered obsolete. They remain built into any accounting system that is put on to a computer. The auditor has to familiarize himself with the new routines. But no one, in these days, need even learn what binary arithmetic means. The modern computer may indeed do its work in binary, but it has been so built, or so taught – programmed is the appropriate word – that the figures and instructions fed into it can be in decimal notation; and what it has to report – its output – can be in the same form. All that one needs in order to use it is a dictionary, so that verbal instructions can be translated into appropriate numbers that the computer can read, and this the manufacturers will provide, under the name of a code manual.

New Mathematics of Business

But there is another side to the computer's work. It has made possible for the first time the solution, within reasonable time limits, of certain types of mathematical problem that earlier it would hardly have been practicable to tackle. At the same time – and here, I think, is the parallel with the way in which new theories and new applications grow up in the natural sciences alongside new instruments – has come a realization that there are problems of business and public administration that will yield to the use of mathematical methods of a relatively advanced kind. When a computer is available, problems can be formulated and equations solved to provide answers as good as and sometimes better than will normally be reached on a rule of thumb basis or by the intuition of those with long practical experience – and this as part of a standard routine that, once established, can be operated with accuracy and speed by men untrained in the field of knowledge to which the problem belongs.

This is a revolution: the invasion of the field of business decisions by the powerful methods of modern mathematics aided, where necessary, by the new instrument. The applications of these techniques are, I suppose, relatively few as yet, though they are by no means of negligible importance. But they will grow in number. I will try to list some of these, though I must emphasize my relative mathematical ignorance and acknowledge the help of my mathematical colleagues.

There is the use of probability theory and calculus, associated, as in all the applications, with simple economic concepts, in optimizing the amount of stock that a business holds, balancing the costs of holding stock – money and space tied up, and risks of damage, deterioration, and so on – against the damage to goodwill that would be caused by running out of stock and the lower costs of an even production flow during the year as compared with an uneven one.

There is the use of probability theory and calculus in queueing theory – an application relevant where there are bottlenecks, for example, in transport, or in production, or in communication networks, where it is necessary to balance the cost of waiting time against the cost of the additional equipment that would reduce the wait.

There are programming methods, based on matrix algebra, for determining the best mix of materials in a given product as the prices of materials vary; or the best blend in the refining of oil products as the selling prices vary; or for minimizing transport costs, for example, from variously dispersed collieries to different coke ovens or power stations; or for determining the optimum mix of outputs of a textile mill, as prices vary; or for so cutting paper rolls as to minimize the waste at the end of a given roll.

The Computer and Mathematics

What is the characteristic of these methods is that a solution had somehow to be reached before a mathematical method was available; now the optimization can be turned into a routine. The operational researcher, as it is convenient to call him, having established the theoretical model which suits the problem, can turn the solution over to less highly paid staff, who can keep it running until a new theoretical model is required in the light of changed conditions; and within the limits which the problem allows it will be known that as good a solution as is available has been obtained.

I do not want to mislead you. The computer is not always necessary for the solution of problems of operational research, even when they are posed in a mathematically sophisticated form. Actuaries have long managed without digital computers, though they are now taking to them as ducks take to water. Relatively simple actuarial calculations that can be solved without computers are increasingly being applied to capital budgeting problems. There is a class of problems in which statistical sampling methods, based on probability theory, are used. These have been applied successfully in business without computer facilities. They are such problems as the quality control of manufactured products, market research, certain aspects of auditing, the determining of maintenance costs of fleets of lorries, and so on. But there are many formulations for the solution of which a computer is essential; and the rapidity of advance in these methods has been, and will continue to be in some degree, dependent upon the growth of computer technique – a growth to which, at present, it is impossible to foresee any limit. In what direction these techniques will lead, and how fast, I cannot predict. But it seems to me that the signs of rapid development are present. The Americans with their usual vigour and interest in new ideas are driving ahead fast, and there is no lack of financial support in the United States for the work of colleges and research institutes in this field. The Russians are on the same track and will follow the trail with equal vigour and determination. The period when a business man could afford to be completely ignorant, not only of the manipulation but of the meaning and significance of such matters as calculus, probability, vectors, and the like, is almost here.

Future of Operational Research

Do not mistake me, I do not suggest that every decision, every problem in business, can today, or will, even within the next ten years, be solved by the application of higher mathematics. The range of application, as I have already indicated, is still small, though it is growing. Many of the problems of business are far too complex, there are far too many variables and far too complicated a network of relationships, to yield to existing mathematical procedures (though even in such cases a problem may yield to the use of simulation methods on a computer). But the appetite of the mathematicians and the operational research men will not easily be satisfied, and I am convinced that there will be a rapid expansion in the fields of useful application.

I do not want to pretend that there are no difficulties and that everything in this particular garden is as it should be. There have been and will be failures. In the early stages these could be expected to exceed in number the successes. This has always been so. It would have been unwise to condemn the idea of air travel on the basis of the quality and capacity of the aeroplane of 1910 – though I am sure that many did so. Or again it would be foolish to discount the future of the rocket as a result of the failures in Florida. It is the successes that count. By the same token there will be – there are – charlatans about who will and do make claims that they cannot justify. O.R. is O.K., if I may coin a phrase. The hangers-on will rush in. As usual, their failures will be wrongly taken by some as a sign that the whole subject is a sham.

Logic of Decisions

We must, however, not only think of techniques that are advanced in the mathematical sense. When all is said and done, to use mathematical methods is simply to apply logical methods of thought to certain types of problem. Mathematics is no more than a branch of logic that takes over where the symbols that we call words become too clumsy for the occasion. If some business problems are susceptible of solution by the application of certain advanced logical methods, may not others be better handled than at present by the use of simpler logical tools?

But, you will say, this is exactly what happens already. The business man applies logic to his problems. I am afraid that this is only a half-truth. I have no doubt at all that, given the way in which a business problem is formulated, and given the facts and relationships that are known and the assumptions about the facts and relationships that are less clearly known, most people in business are likely to reach a conclusion and make their decision by a logical chain of reasoning, for man is undoubtedly a logical animal. But the rub lies in the words 'given the way in which a problem is formulated'. The marshalling of knowledge before a decision is made can be done in many ways.

Anyone who has worked on operational research problems will, if he is competent and honest, confirm that in a certain sense the mathematics is the least part of the job. The really difficult problem is to set down clearly the circumstances, the aim in view, and the constraints or limitations within which the solution must be sought. These must be chosen so that they are relevant to the problem. This process is common to the solution of all business problems. But when the process that is to follow is a formal mathematical one, in which each piece of information must be fitted into some kind of standard pattern, there is little room for vagueness or sloppiness in the setting

of the problem. The rigorous nature of the process that is to follow imposes its own discipline of thought.

I do not wish to suggest that the use of mathematical methods ensures the good sense and relevance of the selection of facts, the assumptions made, and the formulae used. Nothing could be further from the truth. There is no substitute for a basic understanding of the nature of business enterprise, its environment and its major aims. Some study of the economics of business enterprise is, I think, an essential concomitant of such work. The merit of the techniques of operational research is, I think, that the need for such a study becomes rapidly apparent when they are used, at any rate to a sensible man, as it does not always when a more haphazard, traditional, hit and miss method of decision making is employed.

Need for Systematic Decision Making

We must all know of the business committee in which some decision on the purchase of this or that piece of equipment is debated. How many of these discussions are preceded by the preparation of a systematic study showing the results expected to follow from alternative courses of action? How many really large decisions are made on little more than hunch? How many boards of directors even trouble to have calculated, however roughly, the rate of return that their business is earning on the current value of the resources they control? How many even realize that such a calculation is relevant? – more perhaps now than before Mr Chambers and his board made their recent bid, so fortunate for the shareholders of Courtaulds; but still very far from all – perhaps not even most. How many boards even realize that the very concept of profit as it is measured by accounts is – and must be in the last analysis – vague and ambiguous; clear enough in terms of accounting procedures, but clothed in uncertainty in its economic and financial implications? Do not misunderstand me here. I am well aware that few business problems have a unique solution. The future is uncertain and hazy. Errors are inevitable. It will often be seen, *ex post facto*, even when the most brilliant men are concerned, that a different course of action would have produced better results. But there is no need, for this reason, deliberately to cultivate ignorance. Carefully chosen hypothetical examples based on likely assumptions and worked out, before the event, to show the results in terms of cash flows over time, can throw light on almost any business problem – and sometimes expose an unsuspected major pitfall in a proposed course of action.

It is indeed, as I have already said, true that a critical, careful and systematic approach towards decisions, attempting to put numerical values upon the results of these, need not only arise as a by-product of advanced mathematical work. It is, however, a reproach, both to men in business, and I think also to many university economists in this country who have held themselves aloof from business, that there is far too much woolliness in business decision making and far too little thinking in figures, or at any rate using figures as an aid to thought in a way that can at least avoid the silliest of mistakes.

You may reply that my criticisms do not apply to some businesses. This is true. I am not here concerned with such businesses. High quality men will produce high quality work, wherever they are. Such men will find, like *le bourgeois gentilhomme* who found he had been talking prose for forty years, that they have been doing operational research since they went into business. But I am concerned with the others who need guidance. This, after all, is what education is for.

Mathematical Training for Business

It will now I think be apparent in what direction my mind is turning. You will not be surprised when I say that in my view the time has come for young men and women who wish to prepare themselves for more senior posts in the management stream of business – and of public bodies – to think seriously whether they should not provide themselves with a better mathematical education than has hitherto been considered necessary for such posts; and for schools and colleges to consider what preparations they should now be making to meet this need.

It may seem that the need is not yet pressing; and it is true that there is as yet no apparent abnormal demand for the delivered product. There is all the more reason to be prepared, for education of this kind cannot be produced at a snap of the fingers. It is the job of educationalists to be thinking ahead. The higher education of a young person of 18 today is not designed – or should not be designed – for the business needs of today. It is to the needs of 1975 that we should be looking.

I am not thinking of specialists in mathematical and statistical work – though we shall need plenty of these – but of those who in their early days in business will specialize in such activities as marketing, purchasing, advertising, secretarial work, accounting, and so on. To some extent work in these fields already has an obvious mathematical or statistical basis as in marketing, in which sampling techniques are relevant, or in secretarial work where the application of quality control methods to such activities as invoicing is growing. I have already given my view that many more such applications of mathematics will be found in the years to come. But it is not merely in order to appreciate the significance of certain sections of their work that these young people will need a sounder basis in mathematics, desirable though that is. I have already implied that the use of operational research methods, even when applied to simple problems (and a business problem may be quite difficult to handle, even though no more than simple arithmetic is involved in the numerical work) can be of value in inculcating a systematic, careful and critical approach to business problems. Such an approach is desirable at all levels of business. It is most desirable in those

who have reached the levels of middle and higher management. To understand these methods, some basis in mathematics is necessary.

The Accountant and Mathematics

My own subject, accounting, is in a special position in this respect. Accountants are already recognized as working in the field of numbers, and it is characteristic of the layman's attitude that he regards the accountant as a mathematician. Most of you will know that this is far from being the truth. It is a well-known saying in the profession that for success no more than an elementary knowledge of mathematics is needed – certainly no more is necessary than can be obtained in a course leading to mathematics at the ordinary level in the General Certificate of Education. I can assure you that this certificate can be obtained in the subject of mathematics by those whose range of knowledge and competence in the field is extremely limited.

Yet I believe that today the accountant, of all people, has most to gain by adding to his repertoire a reasonable competence in certain branches of higher mathematics – and by this I mean mathematics not necessarily much higher than would be relevant at the advanced level of the General Certificate of Education, though perhaps differently biased. Indeed, unless he does so soon, and moreover learns something of the way the mathematics can be applied to business problems, it is I think very likely that a substantial part of what is at present regarded as a legitimate activity for professional accountants – that broadly summed up by the words management consultancy – will pass to others. The statisticians and operational researchers tend at present to be limited in their approach. Their expertise tends to be mathematical rather than economic and financial, and to do their job they often have to work with those, such as economists and accountants, who understand these matters. But this may not last. These people will I think rapidly acquire an appetite for all aspects of management advisory work, and are unlikely in the longer run to limit themselves to the more technical side of their study. The less ready are accountants to make themselves competent in the new field, or at least to fit themselves to formulate problems in such a way that they can be handed over to the technical mathematicians and mathematical statisticians, the more likely is it that the work will pass to the latter. All the applications that I have given above – sampling, mathematical programming, queueing theory, stock control – are relevant to accountants' work.

Unless the accountants in industry are prepared to give themselves an understanding – though I emphasize not necessarily full professional expertise – of this subject, they may, I fear, find themselves in the longer run restricted to what is essentially high level book-keeping – provided the computer operators allow them to keep that side of the business – and to a *quasi* legal role, advising on such matters as income tax and, except where a company may choose to employ specialist economist staff for the purpose, financing methods.

But to return to the educational side, whether one is thinking of accounting or of other business specialisms, there is no doubt that the study of business subjects too often tends to be approached in a rigid, uncritical and very often, I am afraid, sloppy and logically woolly way. No more proof of this is necessary than a perusal of some of the textbooks in use. Intellectually speaking many of these have no merits. There are, of course, honourable exceptions. But the study of our group of subjects has, intellectually speaking, and in general, sunk far below that of the equivalent on the science side, such as the various branches of engineering. It is true that a great deal of the work in the field of economics – which let me remind you should play a similar part in relation to business and Government to that of physics in relation to engineering, providing fundamental theoretical concepts – is of an intellectually satisfactory kind; unfortunately too many academic economists have fallen into the opposite sin, that of scholasticism – failure to keep their subject alive and to make relevant its theorems by close contact with the world of business (though I am happy to say that there are now some signs of change in this respect). The relevance of industrial sociology – a most interesting and important subject – to the side of business problems concerned with human relations has hardly been appreciated yet in this country. In general, business as an intellectual activity is a Cinderella and a pretty dull Cinderella at that. The situation is strikingly different from that which reigned in Renaissance Italy, and I have no doubt in Babylon and the other cities of Akkad and Sumer.

Role of Mathematics

It is my belief that the growth and importance of mathematics and mathematical statistical work in business will provide one of the stimuli that will put business studies once more on an intellectual par with their fellow sciences, and that this stimulus will extend from the mathematical work itself to the work in those parts of business studies that are not in themselves directly concerned with mathematics. To continue my metaphor, I see mathematics in the role of a fairy godmother for Cinderella.

Perhaps I may say in parentheses, since we are concerned with commercial education, that if this is to happen, a considerable number of promising young people of high intellectual calibre will have to be attracted to the teaching and academic study of these subjects, not only mathematics and statistics, but industrial and commercial economics, accounting and industrial sociology. It will not be enough to rely on the very small number of high-grade men and women who happen to like such work, and will for this reason accept monetary disadvantages in order to do it. Unless this is recognized we cannot expect

much improvement. If the country wants high-grade business men it must pay for high-grade business teachers.

New Development in Accounting Education

Perhaps I may be permitted to refer finally to a development at my own college in the University of London, The London School of Economics and Political Science. Some of us who are concerned particularly with the teaching of accounting are so convinced of the need to raise the mathematical skills of our own graduates that we have, with the collaboration of our mathematical friends, introduced into the first year of the university course in economics which is followed by those who wish to specialize on the accounting side, a compulsory mathematics course. This is designed to allow our students, including those who have only reached ordinary level in mathematics in the General Certificate of Education, to bring themselves up to a standard which will permit them later, if they so wish, to study at least the principles of some of the new management mathematics. Those who wish to can pursue these studies further in their second and third years. Those who do not will at least have a basis upon which they can build later should they experience the need to do so, after they have left the University. In some degree we regard ourselves as pioneers in this work.

I do not pretend that there have been no difficulties. That even the most elementary mathematical teaching in some of our schools leaves much to be desired is becoming very apparent to us – the raw material we get from the schools varies a great deal in the degree to which it has been processed; and I am afraid some of it has been spoilt. And, of course, we make mistakes ourselves. We shall, however, persevere and adapt our courses, so far as we are able, to meet these problems.

It is my own firm conviction that a vastly greater number of our young people would, if only they were properly taught, find little difficulty, and indeed substantial pleasure, in the acquisition of appropriate mathematical skills and that the time will come when it will be an exceptional business man who has no facility in thinking in figures.

Profit and Loss

by a member of The Accountants' Christian Fellowship

EASTERTIDE must have a somewhat startling significance for a profession as closely bound with commerce and finance as that of the accountant. One of the first acts of Easter week was the clearing by Christ of the cashiers and traders from the Temple precincts: the incident which inspired a writer in *The Accountant* to dub one of the late Archbishop Temple's outspoken criticisms of the City as 'the Temple casting out the money-changers'.

That the practice of commerce and the sincere practice of the Christian faith are impossible at one and the same time, is a favourite theory and a plausible one. That such a theory should be shown to be untrue, must be the heartfelt object of every accountant whose faith is more than nominal. In a world where white is rarely pure, and black is rarely unrelieved, how is this object to be achieved? Not by a self-conscious concern for the opinions others may hold of us: for that is merely to destroy one's personal standards. Not by a censorious regard of the shortcomings of others: for that is merely to reflect one's own failings.

The money-changers of the Temple had become so absorbed with profit that it eclipsed, both for themselves and others, regard for God Himself. The full blasphemy of their fault, the events of Easter were to show. Those world shattering events transformed once and for all the true values of mankind: so transformed them indeed, that the apostle Paul could go so far as to say: 'What things were gain to me, these I counted loss for Christ.'

Profit – and loss. As the Christian accountant weighs them, in every context, so Easter draws his attention to other entries in the ledgers of life: and their symbols are a cross and an empty tomb.

Weekly Notes

THE ASSOCIATION'S NEW PRESIDENT

MR EDGAR SPENCER, F.A.C.C.A., a partner in the firm of Rogers, Son & Spencer, of Nottingham, was elected President of The Association of Certified and Corporate Accountants at a meeting of the Council held last Tuesday.

Mr Spencer, who is aged 64, was born in Belper, Derbyshire, and after being educated locally, served from 1915–18 in the 9th Battalion of the Sherwood Foresters. He qualified as a member of the London Association of Accountants in 1925, after carrying out his training with the firm of Rogers, Son & Co, of Nottingham, one of the oldest practices in the Midlands, having been established in 1847. He was admitted a partner in the firm in 1936 and is also a director of a number of companies.

Elected to the Council of the Association in 1952, Mr Spencer has served on all the standing committees of the Council. He was chairman of the District Societies Committee in 1958 and chairman of the Parliamentary and Law Committee in 1960. He has also been actively connected with the work of the Nottingham, Derby and Lincoln District Society of the Association since 1926, serving as honorary secretary from 1936 to 1950, and as President of the Society in 1951–52. He was also a member of the Birmingham Area group of the London Association of Accountants from 1926 to 1939.

Mr Spencer has played a prominent part in voluntary service organizations in Nottinghamshire for many years and has been closely connected with the work of the Boys' Brigade and the County Cadet Force. He is also a member of the East Midlands Regional Advisory Council for Further Education and a member of the Accountants' Advisory Panel of the University of Nottingham.

Mr Vivian Ralph Chennell, F.A.C.C.A., senior partner in the firm of Chennell & Co, Certified Accountants, of Brighton, has been elected Vice-President of the Association for the coming year.

IRISH BUDGET

IRELAND'S long struggle for independence has now been succeeded by a striving for integration with Europe, in the economic sphere. The Minister for Finance, introducing his Budget on April 10th, told the Dail that the Government was considering seriously the economic problems which might arise from her entry into the Common Market. He said he had accepted the recommendations of the Committee on Industrial Organization, which had suggested that the initial allowance on industrial plant and equipment should be raised from 20 per cent to 40 per cent, and that on industrial buildings from 10 per cent to 20 per cent. The implementation of this proposal is estimated to cost £100,000 in the current year. In order to ensure that the change shall have its desired effect quickly, the new rates are confined to expenditure prior to March 31st, 1965. Farmers' rates are to be reduced, as well as the road tax on their tractors.

Social welfare benefits also go up; *2s 6d* a week on old age and blind pensions, and increased children's allowances. Entertainment tax at cinemas and dance halls is to be abolished.

On the other side of the medal there is an appreciable increase in the taxes on tobacco and drink; a penny a pint on beer, twopence a glass on spirits, and twopence on a packet of twenty cigarettes. It seems that the Republic is also considering a general turnover tax on the Common Market model.

SITTING ON INFLATION

ONE of the criticisms of this year's Budget has been its authors' preoccupation with inflation and the failure of the Government to tackle the problem of unused capacity or preparation for entry into the European Common Market.

Sitting on inflation, however, is not the exclusive preoccupation of the British Government. In the last week Professor Erhard (whose economic miracle in Western Germany seems about to be succeeded by a more humdrum bout of wage inflation) has castigated the German car manufacturers for raising their prices. In France, old-age pensions have had to be raised whatever miracles in other quarters the French manners may be able to achieve. Most dramatic of all, President Kennedy in the United States has played Canute with the upward surge of steel prices – and has won.

Quite clearly the Chancellor of the Exchequer has plenty of current examples to choose from in implying that this country's danger is still inflation rather than deflation. He returned to the need for an incomes policy in the debate on the Budget and the need for maintaining the substance (if not quite the appearance) of wages and salaries restraint is still uppermost in the Government's mind. The Budget debate has done nothing to change it.

PUBLICIZING TECHNICAL CO-OPERATION

THE phrase 'technical co-operation' has a forbidding sound about it when it comes to stirring the public imagination. This is so both in the country offering technical help and in the country receiving it. Political parties in this country and nationalist leaders in under-developed areas do not raise their appeal for survival to their kind of standard.

Nevertheless, the latest Government White Paper with that title has much to say of interest and value on the subject. The White Paper explains that the Department for Technical Co-operation is to give special attention to twelve main heads of activity in which this country is particularly well placed to help. These include training of public servants, the supply and training of teachers, assistance with surveys and economic planning and the training of management.

It has often been said that the basis of improvement in under-developed countries rests on three things – clean water, good communications and cheap power. All these catch the imagination because they are translated into public works and public utilities. There is something to see for one's money – or other people's money obtained on favourable terms. But they are little more than twentieth-century pyramids without good service industries, good technicians and professional advice. Hence the importance of technical co-operation.

NEW BASE FOR PRODUCTION INDEX

IT has been decided to change the base year of the Index of Industrial Production from 1954 to 1958. An article by the Central Statistics Office in the March issue of *Economic Trends*[1] explains the details of the new calculation.

It points out that it is desirable to change the base and the weights in the index from time to time to take account of the changes which occur in the emphasis of different industries in the economy. The weight given to each industry in the new index is proportional to the value of its estimated net output in 1958. Apart from the change of base only minor changes have been made in the text since the publication in 1959 of the booklet, *The Index of Industrial Production: Studies in Official Statistics No. 7*, put out by H.M.S.O. A comparison between the old and the new indices shows that out of seventeen industries used, small increases in emphasis have been given to mining, the food industries, metal manufacture, other metal goods, building materials, timber and the construction industries. Modest downward adjustments have been made mainly in chemicals, engineering, shipbuilding, vehicles, textiles, leather and clothing and paper. None of the changes in either direction are very significant but it is of interest that some of the industries which have been slightly reduced in weight in the index are those which are still considered the major growth industries – chemicals, engineering and vehicles. Among the industries worth slightly greater emphasis it is noted that food and construction are prominent. What was true in 1958 may, of course, be out of date in early 1962 especially when only small changes in weighting are being made.

[1] H.M.S.O. Price 5s.

HIGHER MACHINE TOOL EXPORTS

NEW export orders for machine tools increased by 16 per cent in January compared with January 1961. These results have helped to keep the industry's order-book over the £100 million level and to offset the disappointing position in the home market. Both on price and delivery date the British industry has been enjoying superiority over its competitors, including Western Germany. An economic pause in Germany (and such is possible) might improve the delivery dates offered by German machine tool manufacturers. On the other hand, costs in Western Germany are rising so this country is likely to keep its advantage on price.

Particular attention always attaches to the performance of the machine tool industry at a time when trends in capital investment are wider considerations. As might be expected the machine tool industry in some ways typifies the problem for all capital goods industries at present. Export prospects are good: the home market is depressed. Furthermore, here is an industry facing the Common Market with mixed feelings. There are good prospects in continental Europe, but there is a home market to be defended. This year, more than ever, the machine tool industry will be a microcosm of the capital goods industries as a whole.

'DYNAMIC PENSIONS'

THIS title is given to a pension scheme which has been evolved by Hobbs Savill & Bradford (Pensions) Ltd, in collaboration with the Provident Mutual Life Assurance Association, to deal with the problem of defending pensioners from inflation and even to give them some access to the benefits of a rising standard of living in the community as a whole. Hobbs Savill & Bradford have strong connections in the United States and a sister company in Canada. The Provident Mutual has been associated with enlightened employee pension schemes since it was founded in the 1840s. The new arrangement has received the approval of the Inland Revenue Commissioners.

The new pension scheme follows the practice of certain self-employed annuity schemes being run on a 'with profits' basis although it is not itself an annuity arrangement. The 'with profits' elements in

the policy are dealt with as bonuses added in compound form to the basic annual value of the initial pension. In this way the compound bonus element added to the basic pension would offset something like a 20 per cent drop in the purchasing power of the £ over a nine-year period.

There is a modest increase in the cost of such a policy. For example, a non-contributory scheme to provide a fixed pension costs 5 per cent of the annual salary bill of a company. The same scheme with profits continuing after retirement would cost about 5½ per cent. In other words, for every 20*s* spent on a scheme offering fixed pensions the new scheme costs about 22*s* while the benefits are expected to be about 24*s* compared with each 20*s* on the value of a fixed pension. The scheme is being offered by the Provident Mutual to employers as a whole and not only to clients of Hobbs Savill & Bradford.

This is My Life . . .

by An Industrious Accountant

CHAPTER 120

ALL this topical talk about stock-in-trade valuation takes me back some years. One day I went in to see our auditors hard at work on our own stock books. There they were, four keen and able juniors, solemnly and laboriously checking tots and extensions in the heavy tomes that held our records for years back, a soul-killing task that reduced their status to that of robots. They had never looked at the articles represented by these columns of code numbers . . . 27$\frac{5}{12}$ doz. crossbred Bdfd. No. 81 Blk. Sect. 9/34 at 23/4$\frac{7}{8}$ . . . they had never queried the mechanics of our stocktaking procedure. It wasn't their fault; that was the contemporary technique.

In the men's outfitting department two floors lower down, old Michael was being rather apologetic. His stocktaking wasn't finished yet. Our figures were held up. He was *so* sorry.

He didn't look a bit sorry. He was a powerful, deep-chested Irishman whose quick eye for a bargain in purchasing, allied to an instinct for pricing to the psychological penny when selling, had made a fortune for us over the years in his section. His genial good fellowship made him deservedly well-liked; his disregard of accounting principles and preaching had nearly broken our hearts.

He took stock when he could get round to it, not when he should. 'Arrah, my bhoy, amn't I here to sell?' he protested cheerfully. 'Sure, I'll get on with me job and you can put down any figure you like for the stock; sure it'll be gone next month.'

The ready-made suits had been checked on March 26th, five days before the date; group by group they were listed in detail. An ancient volume entitled 'Stock-outs' listed day by day the subsequent sales from each of these groups; on the due date their five totals were deducted from each group to arrive at the net final figure. The use of coded symbols ensured that only someone from the 'ready-made' staff knew what to subtract from what. Sports coats, flannel trousers and knitwear had been counted on various dates from April 1st to April 6th. A further volume of 'Stock-adds' listed items sold during those six days, which, as was clear to the meanest intelligence, must be added back in order to arrive at accuracy. Depending, of course, on the exact hour each group was checked.

'Sure, the job almost went back on me when I found we'd included in our totals some stuff we'd unpacked on the 2nd', explained Michael helpfully. 'The invoices not being passed in March, we had to subtract something, you follow me? Not the totals, of course, but what was left unsold . . . we had to estimate here and there . . . it's all set out in these schedules.'

A little dazed by now, I scrutinized a further set of tabulations. Obviously actual stocks could never be counter-checked physically; the pricing per unit held untold possibilities for error. 'Michael, listen to me,' I said sternly. 'With up-to-date organization, you can count all stock in your department in four hours flat; the comptometers will stand by; we'll pre-price and pre-list the schedules. What about trying it my way for once?' He wasn't listening; he was remembering his talk with our chairman. 'I told the big fella to expect turnover to be up 11 per cent this half-year,' he mused. 'I'm aiming for a record profit at 26 per cent gross; sure his eyes were smiling when he heard it.'

I thought of the four juniors totting up their uncomprehended pages; I remembered our senior auditor when I hinted at my scruples. He had quoted the *Kingston Cotton* verdict, that millstone round the neck of our progressive thinking for decades past. He wasn't worried about stock figures; the signed certificate from the managing director was good enough in those days. But last week our junior auditor asked if he could watch our actual stocktaking to gain experience; there's a new generation growing up.

Finance and Commerce

More Intense

THIS week's reprint of the accounts of Associated Motor Cycles Ltd continues the story of the decline in the motor cycle industry that has been followed in this column. The depression has become more intense. There is a consolidated loss of £106,294 as compared with the previous profit of £427,525 and the outlook is so obscure as to leave those engaged in the industry, in production and in distribution, with only the vaguest idea when the turn will come and how far the lost past will be regained.

A.M.C. covers such famous names in motor cycling as Norton, Matchless, A.J.S., James and Francis-Barnett. It also owns The Indian Company of America, Clarendon Pressing and Welding Co of Coventry, which specializes in factory storage and transporter equipment, and R. T. Shelley of Birmingham, which produces jacks for the motor industry and tools. But the engineering and toolmaking side is a minor interest; 90 per cent of A.M.C. is motor cycles.

The accounts this time incorporate the results of the Indian Company for its first full year of trading. Last year the Indian figures were given separately, a form of accounting that some shareholders criticized as an attempt to minimize the serious position of the American company.

Turnover Down

In his statement with the accounts, Mr T. P. Cowell, the chairman, gives a broad view of the make-up of the group trading loss of £106,294. Francis & Barnett and James, which represent the two-stroke side of the business, suffered a reduction in turnover of 40 per cent and a resulting trading loss of £44,000. Norton turnover dropped 20 per cent and, although its accounts are merged with those of Shelley, it is clear, says Mr Cowell, that the motor cycle interest was not profitable. Shelley, producing largely for the vehicle industry, made a trading profit of £78,000 – and was the only sector of the group's business to do so, 'being unaffected by the vicissitudes of the motor cycle industry'.

Matchless and A.J.S. at the original manufacturing unit at Woolwich had a turnover reduction of 20 per cent, partly due to reduced demand for motor cycles of those 'marks' but primarily because Francis & Barnett and James were not taking its two-stroke engines. Looking back, it is now seen that one of the unfortunate moves of the past was the setting up of an engine factory to enable A.M.C. to become independent of the Villiers engine. But the industry then had not been forced to realize the changing fashion in transport. A.M.C. has now gone back to Villiers for its two-stroke engines.

American Loss

The American venture through the Indian Company has been a heavy burden on the group's resources. The main purpose of the American subsidiary is to provide the largest possible outlet for the company's products in the U.S.A. That means, very particularly, the high-powered Norton motor cycles, styled to give the Americans what they want – except that they, too, have not been wanting them as they did. The American company had 'a very poor year' and 'such recovery as did occur in the American economy did not significantly reduce the level of unemployment'. In addition to its £113,000 loss, the Indian Company has been left with 'considerable stocks of motor cycles'.

There is an element of write-down of stock values in the light of the current season's trading prospects in each section of the trading loss given by the chairman. In the aggregate, this write-down comes to rather more than £80,000. 'If we face the facts squarely', said Mr Cowell at the meeting, 'there is no escaping the conclusion that trading this summer is going to be difficult.'

Retail sales, broadly speaking, are running 25 per cent down on the same period last year. Comparison of one season with another in recent years, however, has been upset by the stop-go-stop hire-purchase and credit policy which has distorted normal buying trends.

Realization

If there can really be a gleam of light in this dark situation, it is in the changed attitude of a section of the shareholders who, having enjoyed high prosperity not many years ago, are now facing what these accounts have to show. Mr Cowell said at the meeting: 'I think shareholders have come to realize what a serious collapse there has been in the motor cycle market on which we are so dependent.'

Annual meetings of the last two years with most stringent criticism of the board have made headline news. This year, however, the retailers, those in the industry who actually meet the public, turned up in force and supported the chairman's description of the motor cycle depression. A leading speaker was Mr S. Hailwood, joint managing director of the motor cycle agents and distributors, King's Motors (Oxford) – and father of the racing motor cyclist. Mr Hailwood confirmed that the blight was on the whole industry, not merely in A.M.C.

It might, in parentheses, also be noted that manufacturers of the simple cycle have also had to face a similar situation in the last few years.

Meantime, the A.M.C. executive is trying to develop a balanced trade of general and specialized engineering to go with its traditional motor cycle trade. And Mr Cowell gives the assurance that 'where activities which do not produce a profit cannot be concentrated into profitable units, they will be curtailed or stopped altogether'.

ASSOCIATED MOTOR CYCLES LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st AUGUST, 1961

1960 (See note below) £	£		£	£
	427,525 (Profit)	**CONSOLIDATED TRADING LOSS**		106,294
		(Subject to the undermentioned items)		
	(Less)	*Add:* Emoluments of Directors of Parent Company—		
4,600		Fees	2,552	
32,387		As Managerial and Technical Executives (Including Premiums for Pensions)	21,723	
3,500		*Payment to a Director on Retirement from a Subsidiary Company*	—	
40,487			24,275	
22,532		Contributions for Employees' Pensions	26,914	
146,829		Depreciation of Fixed Assets	125,020	
	209,848			176,209
	217,677			282,503
	(Add)	*Less:*		
733		Rents Receivable	721	
769		Interest Receivable	2,324	
	1,502			3,045
	219,179			279,458
27,486	(Less)	*Add:* Interest on 5½% Debenture Stock	27,145	
8,778		Other Interest Payable	43,690	
	36,264			70,835
	182,915 (Profit)	**CONSOLIDATED LOSS FOR YEAR** (Before Taxation)		350,293
		Taxation:—		
68,456		*Income Tax*	—	
19,019		*Profits Tax*	—	
	87,475	*Total Taxation*		—
		CONSOLIDATED LOSS (After Taxation)		
	95,440 (Profit)	*Carried forward*		350,293

1960 (See note below) £	£		£	£
		Brought forward		350,293
	95,440 (Profit)	**CONSOLIDATED LOSS** (After Taxation)		
	11,160 (Profits)	*Less:* Losses of Subsidiary Companies		218,647
		PARENT COMPANY		
	84,280 (Profit)	Loss		131,646
333,170	(Add)	*Less:* Amount brought forward from previous year ..	346,331	
—		Taxation Provisions not required	25,602	
	333,170			371,933
	417,450			240,287
		Less: Appropriations:—		
		Dividends less Income Tax:—		
28,448		*Interim Dividend of 4%*	—	
42,671		*Proposed Final Dividend 6%*	—	
	71,119			—
	346,331	**BALANCE, CARRIED FORWARD IN PARENT COMPANY'S BALANCE SHEET**		240,287
		SUBSIDIARY COMPANIES		
11,160	(Profits)	Losses for year	218,647	
216,456	(Add)	*Less:* Amount brought forward from previous year	£216,116	
—		Taxation Provisions not required	27,719	
	227,616		243,835	
	11,500	*Less: Special Bonus to Employees (Gross)* ..	—	
	216,116			25,188
	£562,447	**BALANCE, CARRIED FORWARD TO CONSOLIDATED BALANCE SHEET**		£265,475

NOTE:—The figures for 1960 have been adjusted to include those of the American Subsidiary which last year were shown separately.

ASSOCIATED MOTOR CYCLES LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31st AUGUST, 1961

1960 £	£	SHARE CAPITAL AND RESERVES	£	£	£
		SHARE CAPITAL OF ASSOCIATED MOTOR CYCLES LIMITED			
		Authorised			
£1,500,000		6,000,000 Ordinary Shares of 5s. each ..		£1,500,000	
		Issued			
	1,161,125	4,644,500 Ordinary Shares of 5s. each fully paid			1,161,125
		CAPITAL RESERVES			
125		Share Premium Account		125	
50,811		General Account	50,811		
		Add: Profit on Debenture Redemption ..	5,604		
				56,415	
		Arising on Consolidation of Subsidiary Companies		85,921	
85,921					
	136,857				142,461
		REVENUE RESERVES AND SURPLUS			
200,000		General Reserve		200,000	
50,000		Pensions Reserve		50,000	
		Profit and Loss Accounts			
346,331		Parent Company	240,287		
216,116	812,447	Subsidiary Companies	25,188	265,475	515,475
	2,110,429				1,819,061
		FUTURE TAXATION			
77,173		*Income Tax, assessable for the year 1961–62* ..		—	
4,012		Taxation Equalisation (Initial Allowances) Account		4,012	
	81,185				4,012
		5½% DEBENTURE STOCK 1961–75 (SECURED)			
499,750		Outstanding 31st August, 1960		499,750	
—		*Less* Redeemed during year		34,000	
				465,750	
499,750					
8,418		Interest Accrued *less* Tax		7,845	
	508,168				473,595
		7% NOTES (GUARANTEED) DUE 1st SEPTEMBER, 1964		97,865	
97,865					
3,425		Interest Accrued		3,425	
	101,290				101,290
		CURRENT LIABILITIES			
235,468		Bank Overdraft (Secured)		375,752	
1,185,763		Creditors and Accrued Expenses		1,213,134	
48,177		Current Taxation		52,683	
42,671		*Proposed Final Dividend, less Tax*		—	
11,500		*Special Bonus to Employees*		—	
	1,523,579				1,641,569
		NOTES—1. There are Capital Commitments of £7,450 (£14,600) not provided in these accounts.			
		2. U.S. Dollars have been converted into sterling at the rate ruling at 31st August, 1961 ($2.81 to £)			
	£4,324,651				£4,039,527

1960 £	£	FIXED ASSETS	Cost or Book Value £	Depreciation £	£
		At cost, or at the net amount standing in the books of the Companies on 1st September, 1947, *less* Depreciation			
		FREEHOLD AND LEASEHOLD LAND			
832,423		AND BUILDINGS	837,705		
165,009				180,752	
	667,414				656,953
		PLANT, MACHINERY, TOOLS,			
1,545,249		VEHICLES AND EQUIPMENT ..	1,582,458		
982,018				1,108,438	
	563,231				474,020
	1,230,645		£2,420,163	1,289,190	1,130,973
		CURRENT ASSETS			
16,064		Bank Balances and Cash in hand ..		15,458	
586,250		Debtors and Payments in Advance, *less* Provisions		380,903	
2,460,291		Stock, Work in Progress, and Tooling		2,494,282	
	3,062,605				2,890,643
	31,401	**DEFERRED EXPENDITURE** ..			17,911

On behalf of the Board,

T. P. COWELL
J. F. KELLEHER
} *Directors*

£4,324,651	£4,039,527

CITY NOTES

HAVING indulged in its familiar post-Budget jump for joy, the stock-market has settled down to a reduced volume of business and a rather lower level of equity prices. On the basis that the Budget provided little incentive for industry, there seems little incentive to buy shares.

It can be argued that, by the autumn, the standstill Budget may have been overtaken by some Treasury re-thinking and that later in the year the equity market may begin to look more promising. But that kind of argument rarely brings immediate market support.

Noticeably, the institutions have come back to the gilt-edged section as buyers and have been supporters of industrial loan and convertible loan stocks. The convertible loan stock seems the ideal investment article under conditions in which fixed interest stocks seem likely to offer short-term appreciation against the rather longer term equity growth prospect.

In its present state of indecision, the market seems open to the adverse effect of any discouraging industrial company news at a time when taxed capital gains may considerably reduce the amount of ultra short-term market activity which could formerly be relied upon to provide a commercial dealing basis.

Under such conditions it would not be surprising to see the reverse yield gap narrowing gradually over the next few months.

RATES AND PRICES

Closing prices, Tuesday, April 17th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%

Treasury Bills

Feb. 9	£5 8*s*	0·74*d*%	Mar. 16	£4 17*s*	7·57*d*%
Feb. 16	£5 9*s*	10·81*d*%	Mar. 23	£4 9*s*	0·47*d*%
Feb. 23	£5 10*s*	7·47*d*%	Mar. 30	£4 8*s*	1·16*d*%
Mar. 2	£5 10*s*	11·26*d*%	April 6	£4 7*s*	4·62*d*%
Mar. 9	£5 0*s*	5·89*d*%	April 13	£4 6*s*	8·54*d*%

Money Rates

Day to day	3⅜–4⅜%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4½–4$\frac{9}{16}$%
Fine Trade Bills		3 months	4½–4$\frac{9}{16}$%
3 months	5¾–6½%	4 months	4½–4$\frac{9}{16}$%
4 months	5¾–6½%	6 months	4½–4⅝%
6 months	6–7%		

Foreign Exchanges

New York	2·81½–⅝	Frankfurt	11·25¾–·26
Montreal	2·95½–¾	Milan	1747¼–½
Amsterdam	10·13½–¾	Oslo	20·05¼–½
Brussels	140·20½–¾	Paris	13·79½–¾
Copenhagen	19·39½–·40	Zürich	12·22⅜–⅝

Gilt-edged

Consols 4%	63⅜	Funding 3% 59–69	83½
Consols 2½%	40¾	Savings 3% 60–70	80$\frac{3}{16}$
Conv'sion 5¼% 1974	93$\frac{1}{16}$	Savings 3% 65–75	71⅝
Conversion 5% 1971	92$\frac{5}{16}$	Savings 2½% 64–67	86$\frac{11}{16}$
Conversion 3½% 1969	86$\frac{1}{16}$	Treasury 5½% 2008–12	89
Conversion 3½%	55½	Treasury 5% 86–89	84⅛
Exchequer 5½% 1966	99$\frac{31}{32}$	Treasury 3½% 77–80	71¾
Funding 5¼% 82–84	92$\frac{1}{16}$	Treasury 3½% 79–81	70½
Funding 4% 60–90	88$\frac{3}{16}$	Treasury 2½%	40⅜
Funding 3½% 99–04	61½	Victory 4%	96⅞
Funding 3% 66–68	85¾	War Loan 3½%	56⅞

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Training of Accountants

SIR, – When I read Mr Carter's article 'Training for the profession – fact and fantasy', in *The Accountant* of April 7th, I was surprised to note how far removed from the facts of the case are his remarks concerning technical schools and colleges.

No one, I believe, will seriously challenge the view that the basis of training for the accountant should be practical experience, but in regard to the manner in which educational instruction (which is equally important) should be given, opinion is divided.

Mr Carter states that 'the colleges and schools of technology seem to have only a minor place in the training for the practice of accountancy'.

The facts are that these colleges are already playing an important part in providing accountancy education. Although the number of students for the Institute examinations attending technical colleges may not, as yet, be large, the number attending who are studying for the examinations of The Association of Certified and Corporate Accountants, and The Institute of Cost and Works Accountants, is far greater, and is rapidly increasing.

Mr Carter appears to be convinced that even if a technical college could provide the necessary instruction, the time required for this purpose would be excessive. The facts are that full courses for the Intermediate and Final accountancy examinations can and *are* being provided on the day release principle, supplemented, when practicable, by a short full-time revision course of four to six weeks' duration immediately prior to the examination. There is, of course, an appropriate work assignment in conjunction with these courses which the student is able to

perform at home. An increasing number of students prepare satisfactorily for accountancy examinations in this way every year.

It is amusing to read that 'the most the technical schools can do is to provide tuition in the technique of book-keeping'. This statement may have been true of pre-war technical colleges. Today the facts are that the full-time staffs of the larger technical colleges contain many qualified accountants (representative of all recognized bodies), and at Swansea, for example, good facilities are available for tuition in every subject specified in the syllabus for the Intermediate and Final examination of the Institute.

In the face of the indisputable advance which has taken place in professional education in technical colleges in recent years, Mr Carter is being quite unrealistic in making the remarks he does in his article, some of which I have quoted above. Yet his views are not dissimilar from many other members of the Institute, who, like the ostrich, bury their heads in the sand and are thus unable to see benefits that will accrue to the entire accountancy profession by taking advantage of the educational facilities available at technical colleges. Let us hope that there are also many enlightened members of the Institute who can help to remove the dislike for change which appears to inhibit their more conservative fellows.

Yours faithfully,
H. LIVESEY,
B.A.(ADMIN.), B.COM.(LONDON),
Head of Department of Commerce,
COLLEGE OF TECHNOLOGY, SWANSEA.

SIR, – I should like to comment on Mr R. J. Carter's article in your issue dated April 7th. I was shocked to have such opinions emanate from a responsible source and especially from someone who is closely connected with the training of future accountants. I feel that the attitude is a purely negative one and can be paraphrased by saying something like this:

> 'Accountancy is a very unimportant job and really nothing much more is involved than book-keeping and advising small traders on their income tax problems. It would therefore be a waste of time to give a decent education to prospective accountants.'

It is this attitude which will deprive accountants of their rightful professional standing as advisers to commerce and industry.

Industry is becoming more and more complex yet the techniques of the profession are not keeping pace.

No one would deny the need for detailed practical experience but this surely does not mean that a sound academic foundation is to be decried. If the present Universities Scheme is considered inadequate or inappropriate it should be the task of the accountancy profession to create a better scheme. The sooner this need is realized by the leaders of our profession, the better it will be for both present and future accountants.

Yours faithfully,
London W1. E. M. KEVEHAZI, F.C.A.

Football Club Transfers

SIR, – The ways of football club finance may seem a trifle 'confusing' to Mr J. T. H. Williamson (March 31st issue), but I can assure him that professional football players are treated as current items of expense in the accounts of football clubs. There is certainly no capitalization of any player, since who could really define his value when this is liable to disappear in a matter of minutes following an accident?

The cost of acquisition of players is charged as an expense after crediting to the account income received for any players disposed of. The accounts of many professional clubs would be interesting if studied to see how profits or losses on the year's trading arise, very often as the result of debits or credits in the transfer fee account; in fact, some clubs only survive by such credits.

I cannot let the comments of the Secretary of the West Ham United Football Club go unchallenged when he says (in the footnote to Mr Williamson's letter) that 'the transfer money may be included in accounts for different years'. Transfers are the subject of formal contracts between clubs which give rise to debtors and creditors. These contracts are registered both with the Football League and the Football Association which gives them an enforceability. The mere arrangement for the satisfaction of liabilities by instalment payments does not change the fundamental accounting for debtors and creditors. Debt or credit is taken for the full amount of transfer fees in the year of the contract, whether payable or receivable by instalment payments. This follows correct accounting practice and whatever the procedure in relation to the club mentioned above may be, I feel sure that it is not the general practice to do other than follow correct accounting procedure.

Yours faithfully,
Norwich. H. ROBINSON, F.C.A.
Director,
NORWICH CITY FOOTBALL CLUB LTD.

How to Decimalize the Currency

SIR, – Further to Mr William Phillip's article in *The Accountant* of April 14th, may I remind you that many years ago H. G. Wells wrote a short story entitled *The Country of the Blind*, in disproof of the proverbial saying that in the country of the blind the one-eyed man is king. What happened in that story was that the inhabitants insisted that a stranger, blessed with sight, who had come amongst them must be blinded. I have yet to come across a reasoned statement from any competent inhabitant of a country using such a one-eyed currency as the decimal, which convincingly argued that we ought to be similarly afflicted by compulsion. This will indeed be the country of the blind if the British people permit the politicians to deprive them of the convenience of twelve pence in the shilling.

Yours faithfully,
London EC4. P. D. CONSTABLE.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

REPORT OF THE COUNCIL FOR 1961

We reproduce below the annual report[1] of the Council for the year 1961 to be presented to the eighty-first annual meeting of The Institute of Chartered Accountants in England and Wales to be held on Thursday, May 3rd, 1962, at 2 p.m. in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London EC2.

Royal Charters and Bye-laws

1. The amendments to clauses 18 and 31 of the supplemental Royal Charter of 1948, as approved by the members in general meeting on May 3rd, 1961, and at the subsequent confirmatory meeting on June 7th, 1961, were allowed by Her Majesty in Council on October 24th, 1961. The amendments to bye-laws 2, 42, 54, 58, 61, 62, 63, 79 and 85 as approved by members on May 3rd, 1961, were allowed by the Lords of Her Majesty's Most Honourable Privy Council on October 24th, 1961.

2. The general effect of those amendments (except bye-law 63 referred to in paragraph 73) is as follows:

(*a*) most of the references to 'England and Wales' and 'England or Wales' in the Royal Charters and bye-laws have been replaced as from October 24th, 1961, by references to 'the United Kingdom'; the purpose is to enable an associate or a fellow in practice as a public accountant in Scotland or Northern Ireland to take articled clerks under precisely the same conditions as an associate or fellow in practice in England or Wales;

(*b*) as a consequence of (*a*), the annual subscriptions of members resident in Scotland or Northern Ireland (whether or not in practice) have, as from January 1st, 1962, been at the same rates as those of members resident in England or Wales instead of, as hitherto, the rates applicable to overseas members;

(*c*) 'Practice' now means practice as a public accountant in any part of the world (instead of in England or Wales only) except where otherwise provided.

President and Vice-President

3. At a meeting of the Council held on Wednesday, June 7th, 1961, Mr Paul Francis Granger, F.C.A., Nottingham, was elected President for the ensuing year in succession to Mr Sidney John Pears, F.C.A., London. Mr Percy Frederick Carpenter, F.C.A., London, was elected Vice-President.

Resignations from the Council

4. The Council has to report with regret the resignations of the following from membership of the Council:

Mr Charles Maxwell Strachan, O.B.E., F.C.A., Hull, a member of the Council since 1949. He was a past chairman of the District Societies Committee and had been vice-chairman of the Parliamentary and Law Committee since 1959.

Mr Kenneth George Shuttleworth, F.C.A., Sheffield, a member of the Council since 1948.

New Members of the Council

5. The vacancies on the Council caused by the resignations reported above have been filled as follows and in accordance with bye-law 13 a resolution confirming the appointments will be submitted to the annual meeting:

Mr Ralph Gordon Slack, M.A., F.C.A., Hull.

Mr Alfred Gordon Thomas, F.C.A., Sheffield.

[1] The Appendices and some references to them in the report are not reproduced.

Retirement and Election of Members of the Council

6. For the 11 vacancies in the membership of the Council which required to be filled at the annual meeting on May 3rd, 1961, there were 12 nominations including the 11 members retiring by rotation. A ballot was taken at the meeting and as a result the 11 retiring members were re-elected.

7. The following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of these members (other than the 'Society's appointed members' whose position is governed by clause 18 of the Scheme of Integration) have been referred to the district societies concerned and the Council recommends their re-election:

Mr Henry Alexander Benson, C.B.E., F.C.A., London.
Mr Percy Frederick Carpenter, F.C.A., London.
Mr Donald Victor House, F.C.A., London
Mr Eric Norman Macdonald, D.F.C., F.C.A., Liverpool.
Mr James Henderson Mann, M.B.E., M.A., F.C.A., London.
[2]Mr Frank Edward Price, F.C.A., Newport, Mon.
Mr Lawrence William Robson, F.C.A., London.
Mr John Dennis Russell, M.A., F.C.A., London.
Mr John Colin Montgomery Williams, F.C.A., Swansea.
Mr Robert Pearson Winter, C.B.E., M.C., T.D., D.L., F.C.A., Newcastle upon Tyne.
[2]Sir Richard Ernest Yeabsley, C.B.E., F.C.A., London.

Council and Committee Meetings

8. During the year 1961 the Council met on 11 occasions, on each of which both special and ordinary meetings were held. The following committees held meetings totalling 220 as follows:

Applications	11	General Purposes	11
Articled Clerks	11	Investigation	12
Consultative Committee of Members in Commerce and Industry	4	Library	4
		Overseas Relations	3
		Parliamentary and Law	11
Disciplinary	15	P. D. Leake	4
District Societies	4	Public Relations	10
Examination	5	Summer Course	3
Finance	11	Technical Activities	5
Special committees and subcommittees of standing committees	96		

The foregoing table does not include meetings with representatives of other bodies on matters requiring joint consideration; nor does it include Taxation and Research Committee meetings which are recorded separately in paragraph 119.

Committee on Relations with the Universities

9. At its meeting on October 4th, 1961, the Council appointed a Committee on Relations with the Universities with the following terms of reference:

'To consider methods by which closer collaboration with the universities might be achieved.'

[2] Denotes 'Society's appointed member'.

Annual Church Service

10. The annual church service was held at 1 p.m. on Wednesday, July 5th, 1961, at St Margaret's Church, Lothbury, EC2, and was attended by the President and members of the Council as well as by a number of other members of the Institute. The service was conducted by the Rector, the Rev. A. John Drewett, M.A., B.SC., and the Lesson was read by the President. The collection for the benefit of The Chartered Accountants' Benevolent Association amounted to £47.

11. The service in 1962 will be held at 12.45 p.m. on Wednesday, July 4th, at St Margaret's Church, Lothbury. The Council hopes that as many as possible of the members of the Institute will attend.

Hospitality

12. The President's Dinner was held on the evening of May 2nd, 1961, the day preceding the annual meeting of the Institute. The dinner was held at the Drapers' Hall by kind permission of the Worshipful Company of Drapers. The names of those present were reported in *Accountancy* for May 1961, and *The Accountant* of May 6th, 1961.

13. The President and members of the Council entertained The Lord Mayor of London, Sir Bernard Waley-Cohen, at a luncheon in the Oak Hall on October 3rd, 1961. Other guests were Mr Sheriff C. S. P. Rawson; Mr Deputy H. W. Keith Calder, C.B.E. (Chief Commoner); Mr Deputy O. G. Sunderland, F.C.A. (Chairman of Bridge House Estates Committee); Mr Rodway Stephens, F.C.A. (Chairman of Coal and Corn and Finance Committee); Mr Leslie B. Prince, M.A., F.C.A. (Chairman of Rates Finance Committee); Mr W. B. Holden, F.C.A. (Chairman of Central Markets Committee); Mr K. R. Cork, F.C.A. (Chairman of Music Committee); Mr R. J. Hayward, C.B.E., R.D., F.C.A. (Chairman of Officers and Clerks Committee); Mr Deputy E. F. Wilkins, F.C.A. (Chairman of Barbican Committee); Sir Irving Gane, K.C.V.O. (City Chamberlain); Mr E. H. Nichols, T.D., B.A., LL.B. (Town Clerk); Mr Desmond Heap, LL.M. (Comptroller and City Solicitor); Mr Paul C. Davie, B.A. (Remembrancer); Brigadier R. F. S. Gooch, D.S.O., M.C., M.A. (Secretary to the Lord Mayor); Mr R. S. Walker, F.R.I.C.S. (City Surveyor); Mr E. G. Chandler, F.R.I.B.A. (City Architect); Brigadier P. Clapham, O.B.E. (Common Cryer and Serjeant-at-Arms); and Colonel G. E. P. Hutchins, D.S.O. (City Marshall).

14. The President, Vice-President and chairmen of committees of the Council entertained The Viscount De L'Isle, V.C., P.C., G.C.M.G., K.ST.J., D.L., M.A., F.C.A., at a luncheon in his honour in the Oak Hall on June 27th, 1961, prior to his departure for Australia to take up his appointment as Governor-General.

15. The President, with some members of the Council and the Secretary, has entertained guests at luncheon at the Dorchester Hotel as follows:

April 14th, 1961. The Viscount Chandos, P.C., D.S.O., M.C. (Chairman, Associated Electrical Industries Ltd); The Lord Heyworth (Chairman, Unilever Ltd, 1942–60); The Viscount Kilmuir, P.C., G.C.V.O. (Lord Chancellor); The Rt Hon. Ernest Marples, M.P., F.C.A. (Minister of Transport); Sir Cyril Musgrave, K.C.B. (Chairman, Iron and Steel Board); Sir Richard Powell, K.B.E., C.B., C.M.G. (Permanent Secretary, Board of Trade); and The Rt Hon. Alfred Robens (Chairman, National Coal Board).

July 27th, 1961. Dr A. R. Beeching (Chairman, British Transport Commission); The Rt Hon. Sir Norman Brook, G.C.B. (Joint Permanent Secretary, The Treasury); The Lord Milne, C.A. (Master, The Grocers Company); The Lord Radcliffe, P.C., G.B.E. (Lord of Appeal); and Sir Ivan A. R. Stedeford, G.B.E. (Chairman, Tube Investments Ltd).

December 1st, 1961. Mr Anthony Barber, T.D., M.P. (Economic Secretary to the Treasury); The Lord Bishop of London, C.B.E., D.D., D.C.L.; Sir William Haley, K.C.M.G. (Editor, *The Times*); Sir Alexander Johnston, K.B.E., C.B. (Chairman, Board of Inland Revenue); Mr Geoffrey Lawrence, Q.C. (Chairman, General Council of the Bar); and Sir Basil Smallpeice, K.C.V.O., F.C.A. (Managing Director, British Overseas Airways Corporation).

February 15th, 1962. Mr Arthur J. Driver (President of the Law Society); Mr Victor C. Ellison, M.C., T.D. (Chairman, The Cement Marketing Co Ltd); The Rt Hon. F. J. Erroll, T.D., M.P. (President of the Board of Trade); Dr Peter S. Noble (Vice-Chancellor, The University of London); Sir Thomas Padmore, K.C.B. (Second Secretary, The Treasury); and Mr C. R. Sopwith, F.C.A. (The Public Trustee).

Visitor to Meeting of the Council

16. At its meeting held on May 3rd, 1961, the Council was pleased to welcome Mr John A. Wilson, the President of The Canadian Institute of Chartered Accountants.

Banquet in Guildhall

17. A notice was issued to members on January 19th, 1962, inviting, them to apply for tickets for an Institute banquet in Guildhall on Thursday, May 3rd, 1962. Among the guests will be The Lord Mayor of London, Sir Frederick Hoare, and The Lord Chancellor, The Viscount Kilmuir, P.C., G.C.V.O., who will propose the toast of the Institute. Other members of Her Majesty's Government and representatives of overseas accountancy bodies have been invited.

18. The President, in his address at the annual meeting on May 3rd, 1961, announced that by way of an experiment the Council had decided to arrange an entirely new form of annual meeting in 1962. Accordingly a draft plan was agreed which, in addition to the annual meeting, envisaged the holding of a number of group discussions concluding the day with a banquet in Guildhall. Unfortunately, it was not possible to obtain suitable accommodation on a date when Guildhall would also be available and when the Lord Mayor would be able to be present. Members were therefore notified on November 14th, 1961, that it had been decided to defer the experiment of group discussions for a further year but that, as now indicated in the preceding paragraph, a banquet will be held in Guildhall on the evening of May 3rd, 1962, the day of the annual meeting.

Membership Changes

19. The number of new members admitted during the year 1961 was 1,692 including 562 admitted under the Scheme of Integration (3 members of The Society of Incorporated Accountants, 2 former members of the Society and 557 students of the Society). Eight former members of the Institute resumed membership through revocation of exclusion, 4 through readmission after resignation and one after a period of suspension from membership. Under clause 22 of the supplemental Royal Charter 33 members were excluded (24 of them for non-payment of subscription). The resignations of 32 members and the deaths of 279 members were reported.

20. During the year 1961 three applications for revocation of exclusion from membership were refused and one application for admission to membership was refused. Three notices of resignation from membership were not accepted.

21. The admission of 2 members became void under bye-law 41 through non-payment of the admission fee. One of them was later admitted and is included in the total of 1,692 in paragraph 19 above. The other did not make a further application in 1961.

22. The number of members of the Institute on January 1st, 1962, was 35,228 compared with 33,867 on January 1st, 1961, an increase of 1,361. A summary of the changes is

given in the table in the Appendix, page 71. As a consequence of the substitution of 'the United Kingdom' for most of the references to 'England or Wales' in the Royal Charters and bye-laws (see paragraph 2) the table has been adjusted to reflect the reclassification of 180 members in Scotland or Northern Ireland who were previously classified 'not in England or Wales' and are now classified as 'in practice' or 'not in practice' in the United Kingdom.

Fellowship

23. During the year 1961 the number of associates who became fellows on the basis of five years' practice was 126 (compared with 165 in 1960). 1,148 associates automatically became fellows on January 1st, 1962 (compared with 896 on January 1st, 1961).

Use of the letters F.S.A.A.

24. During the year 1961 the Council approved applications under clause 4 (*b*) of the Scheme of Integration from 3 incorporated accountant members A.S.A.A. to use the letters F.S.A.A. (compared with none in 1960). 66 incorporated accountant members A.S.A.A. automatically became incorporated accountant members F.S.A.A. on January 1st, 1962 (compared with 63 on January 1st, 1961).

Incorporated Accountant Members becoming Associates

25. During the year 1961 the Council approved applications from 6 incorporated accountant members eligible to become associates in accordance with clause 6 of the Scheme of Integration (compared with 5 in 1960).

Notices to Members Overseas

26. At its meeting on November 1st, 1961, the Council decided that for overseas members the annual report, notices convening meetings and notices which invite members to reply as a matter of urgency, should in future be sent by air mail.

List of Members

27. The 1962 *List of Members* was published on February 16th, 1962. Distribution to those members who completed the reply-card stating that they wished to have a copy was completed on March 30th, 1962. A member who wishes to receive a copy of the 1963 *List of Members* is asked to complete the reply-card which accompanies this report and to return it forthwith.

Members' Handbook

28. Since the last report the following supplements to the *Members' Handbook* have been issued:

Supplement No. 9, issued on August 16th, 1961, containing the first of a series of Statements on Auditing, *General Principles of Auditing* (section U1)

Supplement No. 10, issued on March 15th, 1962, containing Statement on Auditing No. 2, *Stock-in-trade and Work in Progress* (section U2).

Disciplinary Action

29. Details are given in the Appendix, page 72,[1] of the findings and decisions of the Disciplinary Committee, and where applicable of the Appeal Committee, since the last report, on formal complaints preferred by the Investigation Committee in accordance with its duty under bye-law 105. The findings and decisions have been or will be published in *Accountancy* and *The Accountant*.

30. *Lloyd v. The Institute of Chartered Accountants in England and Wales.* On October 11th, 1961, Mr Justice Wilberforce sitting in the Chancery Division dismissed with costs an application by a member for an injunction restraining the Institute by its Council or Disciplinary Committee or otherwise from determining the question whether he had acted discreditably under the provisions of clause 21 (3) of the supplemental Royal Charter of 1948.

[1] Not reproduced.

Professional Conduct

31. The following statement was authorized by the Council at its meeting on June 7th, 1961, and published in *Accountancy* for June 1961 [and *The Accountant* of June 17th, 1961]:

Ethical Aspects of the Use of Companies by Members in Practice

'The Council has been asked from time to time whether there is any ethical reason which precludes a member of the Institute from carrying on one or more of the functions of a public accountant through the medium of a company. The Council now makes the following statement on this matter:

'(i) The Council emphasizes the personal responsibility of every member of the Institute for his professional conduct; this applies regardless of the way in which the work of the member is organized and of the medium through which it is performed.

'(ii) A member is not permitted to do under the guise or through the medium of a company or firm anything which he is not allowed to do as an individual.

'(iii) There is no ethical reason which would preclude a member's performance through the medium of an *unlimited* company of which is he a member of any of his functions as a public accountant which a company is permitted by law to perform. (Members are reminded that some functions may not lawfully be so performed, for example acting as auditor, receiver or liquidator of a company.) There is also no ethical reason which would preclude a member from using a *limited* or *unlimited* company of which he is a member to provide him with assistance (such as the provision of staff, accommodation and equipment) which he may require in the performance of any of his functions as a public accountant. In all cases the following provisos apply:

(*a*) the company shall at all times observe all the rules, and conform to all the standards of conduct, which apply to a member in practice;

(*b*) while it shall be permissible for the name of the company to be similar to that of a member or firm, it shall not be indicative of the activities of the company;

(*c*) from the standpoint of ethics the member shall be responsible for the conduct of the company and its directors and officers as if the company were a firm in which he is a partner;

(*d*) nothing in this statement shall be taken to authorize the use of the designation 'chartered accountants' by any company;

(*e*) the company shall not be used directly or indirectly as a means of sharing profits or remuneration of a member or firm in a manner contrary to clause 20 (2) of the Royal Charter.

'(iv) This statement is limited to matters of ethics and does not imply any view on the desirability or otherwise of the use of companies for the purposes indicated. It is of general application subject only to any special conditions which may exist anywhere outside the United Kingdom. The conditions on which companies were permitted to be formed under the Council's 1945 statement "Executorship and Trustee Companies" (*Members' Handbook*, section E8), which has now been withdrawn, will, however, continue to be applied to companies which are now operating under the authority of that statement. The Council hopes, however, that such companies will be brought into line with the present statement as soon as possible or convenient.'

Honours and Decorations

32. The Council congratulates the following members who have received honours and decorations since the last report:

G.C.M.G.

Viscount H. E. De L'Isle, V.C., P.C., K.ST.J., D.L., M.A., F.C.A.

K.C.V.O.

B. Smallpeice, B.COM., F.C.A.

Knight Bachelor

C. H. Pollard, C.B.E., F.S.A.A.

C.B.E.

R. M. Chapman, T.D., D.L., M.A., F.C.A., H. H. Goodwin, M.B.E., F.C.A., L. C. Hawkins, F.C.A., A. F. Lampitt, F.C.A., J. Matson, F.C.A., R. D. Sherbrooke-Walker, T.D., D.L., F.C.A.

O.B.E.

H. W. Archer, F.C.A., C. W. Baxter, M.B.E., F.S.A.A., L. F. Cheyney, F.S.A.A., K. R. Cook, M.B.E., F.C.A., J. C. Dickinson, F.C.A., H. Kennewell, F.C.A., A. W. Lowe, F.C.A.

M.B.E.

W. D. Austin, F.C.A., T. Bourne, F.C.A., G. D. Hayden, F.C.A., P. R. Johns, F.C.A., A. L. Leggett, F.C.A., G. S. Smith, M.C., T.D., F.C.A.

T.D.

E. P. Andrews, F.C.A., J. Calver-Jones, A.C.A., C. T. Digby-Jones, B.A., F.C.A., J. A. Murray, B.COM., F.C.A., R. I. Slater, F.C.A., P. Taylor, F.C.A

V.R.D.

B. Smith, F.C.A., B. J. West, M.A., A.C.A.

Lord Mayor of Cardiff

33. The President sent a letter of congratulations to Alderman Edward Ewart Pearce, M.B.E., F.C.A., on his election as Lord Mayor of Cardiff in May 1961.

National Public Service

34. Since the last report the following members have accepted appointments of national importance. The list does not include numerous appointments of importance in local or regional spheres of public service:

Member	*Appointment*
Mr R. D. R. Bateman, M.B.E., F.C.A. Mr L. W. Robson, F.C.A.	By the President of the Board of Trade, to membership of an advisory committee to advise on the preparation of forms and instructions, and the making of any orders, for the census of production to be taken in 1963 in respect of the year 1962, and for the two subsequent annual censuses.
Mr H. A. Benson, C.B.E., F.C.A.	By the Minister of Commerce, Northern Ireland, to investigate the position of the railways, to make recommendations about their future, and to report on the effect which the recommendations will have on the transport system of the Ulster Transport Authority.
Sir William Carrington, F.C.A.	By the Minister of Health, as chairman of the Dental Rates Study Group.
Mr J. Cockram, F.C.A.	By the Minister of Housing and Local Government, to membershipof the Central Advisory Water Committee for a further period.
Mr R. W. Foad, F.C.A.	By the Minister of Power, to executive membership of the Iron and Steel Board.
Mr J. W. Hough, O.B.E., F.S.A.A.	By the Minister of Health, to membership of the Board of Governors of the National Hospitals for Nervous Diseases.
Mr D. V. House, F.C.A.	By the Minister of Transport, as chairman of the committee of inquiry into shipping services between Great Britain and Northern Ireland.
Mr W. H. Lawson, C.B.E., B.A., F.C.A.	By the Chancellor of the Exchequer, as chairman of the Iron and Steel Holding and Realisation Agency for the period from January 1st, 1962, to June 9th, 1963.
Mr M. S. Rigden, F.C.A. Mr E. D. B. Todd, F.S.A.A.	By the Minister of Health, to membership of the Lycett Green Committee on administration and clerical staffing arrangements in the hospital service.
Sir Graham Rowlandson, M.B.E., F.C.A.	By the Minister of Health, to membership of the Council for Professions Supplementary to Medicine.
Mr J. D. Russell, M.A., F.C.A. Mr J. M. A. Smith, F.C.A.	By the Minister of Housing and Local Government to membership of the Commission for New Towns.
Mr J. M. A. Smith, F.C.A.	By the Chancellor of the Exchequer, to membership of the committee of inquiry into decimal currency.
Mr C. R. Sopwith, F.C.A.	By the Lord Chancellor, as Public Trustee.

Council Nominations to Other Bodies

35. *National Productivity Year.* The President has accepted an invitation from the British Productivity Council to be one of the Vice-Patrons of the British Productivity Year which is to be held from November 1962 to November 1963, and of which H.R.H. The Duke of Edinburgh has consented to be the Patron.

36. *Festival of the City of London – July 1962.* At the invitation of the Lord Mayor of London, the Council has appointed the President of the year to serve on the Council of the Festival of the City of London, sponsored by the City Arts Trusts in association with the Arts Council and to be held between July 9th and 21st, 1962.

37. *National Council for Quality and Reliability.* On August 2nd, 1961, the Council decided that the Institute should become a constituent member of the newly-formed National Council for Quality and Reliability and appointed Mr J. Clayton, F.C.A., as the Institute's representative on that Council.

38. *Trustee Savings Banks Inspection Committee.* The Council has reappointed Mr W. G. Densem, F.C.A., to be a member of the Trustee Savings Banks Inspection Committee for a period of four years from November 21st, 1961.

39. *London Chamber of Commerce.* On April 5th, 1961, the Council nominated Mr J. D. Russell, M.A., F.C.A., as one of the two honorary auditors of The London Chamber of Commerce for a period of three years.

40. *City of London College.* The Council has reappointed Mr P. F. Carpenter, F.C.A., to represent the Institute on the governing body of the City of London College for a further term of three years from March 1961.

41. *Joint Committee for the Award of Diplomas in Management Studies.* Mr A. W. Howitt, M.A., F.C.A., has been appointed as the Institute's representative on the Joint Committee set up by the Minister of Education for the Award of Diplomas in Management Studies.

42. *Professional Classes Aid Council.* On June 7th, 1961, the Council reappointed Mr J. A. Allen, F.C.A., as the Institute's representative on the Professional Classes Aid Council for a further term of three years.

Library

43. *Activity.* The following figures show the extent to which the library has been used in recent years:

Year	*Attendances*	*Books lent*
1957	9,375	4,459
1958	11,295	6,783
1959	12,332	6,710
1960	12,143	6,922
1961	14,037	7,270

44. *Collection of early books.* The following important additions have been made to the Institute's collection of early books:

Pacioli (Luca): *Divina Proportione: opera a tutti glingegni perspicaci e curiosi necessaria ove ciascun studioso di Philosophia, Prospectiva, Pictura, Sculptura, Architectura* . . . Luca Pacioli 1509. (This completes the Institute's collection of all the known printed works of Luca Pacioli.)

Josephus Unicornus: *De l'arithmetica Universale* . . . Venice. 1598.

45. *Short list.* A new edition dated August 1961 of the *Short List* of books in the Library is available to members, without charge, from the Librarian on receipt of an addressed label. (This supersedes the August 1959 edition and the third cumulative supplement issued in June 1961.) The *Short List* is sent to each new member on admission.

Appointments Register

46. The number of members who were enrolled on the appointments register in 1961 was slightly less than in the previous year. The decrease was, however, mainly confined to the younger members, there being a significant increase in the number of those over 45 years of age making use of the register. Assistance in finding employment for these members is therefore especially welcome. The number of vacancies notified by employers during 1961 showed a considerable fall as compared with the previous year although there continued to be a very wide demand for young members. The number of members placed through the register was slightly higher than in 1960. Members are particularly requested to bring the facilities provided through the register to the notice of prospective employers.

Deaths of Members

47. The names of members whose deaths have been reported up to the date of preparing this report are given in the Appendix[1]. These include:

Mr Geoffrey Bostock, F.C.A., one of the Institute's auditors from 1934 to 1958. The President sent a message of sympathy to the family and partners.

Mr George Oliver May, F.C.A., who had been a member since 1897. He played an outstanding part in the development of the profession both in the U.S.A. and in the wider international field. He had for many years been a leading member of The American Institute of Certified Public Accountants. A message of sympathy was sent to the family and the American Institute.

Institute Examinations in 1961

48. Examinations were held in May and November 1961, the Preliminary examination in London and Manchester and the Intermediate and Final examinations in London, Birmingham, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne; in addition the Intermediate examination was held in Bristol and Nottingham. The following were the results:

	Passed	Failed	Total Candidates	*Comparative totals 1960*
Preliminary ..	128	305	433	*478*
Intermediate	1,883	2,164	4,047	*4,184*
Final ..	1,506	1,688	3,194	*2,992*
Totals ..	3,517	4,157	7,674	*7,654*

The Council wishes to place on record its appreciation of the administrative work undertaken by district societies in connection with the holding of examinations.

49. *Disqualification of examination candidates.* The following statement was published in *Accountancy* for October 1961 and *The Accountant* of October 14th, 1961:

"The Chairman of the Examination Committee reported that a candidate in the May 1961 Final examination and a candidate in the May 1961 Intermediate examination were discovered attempting to cheat, one of the candidates being found to be in possession of notes in the examination room during one of the papers. The committee had, after inquiry, disqualified both candidates and informed them that they would not be allowed to present themselves for examination on any subsequent occasion.

50. *Notification of results.* At its meeting on May 3rd, 1961, the council authorized the issue of a statement [*The Accountant*, May 13th, 1961] setting out a new procedure for notifying results to candidates, the object being to reduce the candidates' waiting period. The new procedure was followed for the May and November 1961 Intermediate and Final examinations.

Final Examination Syllabus

51. In the syllabus for the paper on English Law (Part II) in the Final examination the item referring to 'Trusts, as contained in the Trustee Act, 1925' has been altered to refer to 'Trusts, as contained in the Trustee Act, 1925, and the Trustee Investments Act, 1961'. An announcement to that effect was made by the Council on February 7th, 1962, and published in *Accountancy* for February 1962 [and *The Accountant* of February 17th, 1961].

Final Examination of the Society

52. Examinations were held in May and November 1961 in London, Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, Manchester and Newcastle upon Tyne. The following were the results obtained by candidates for membership of the Institute:

	Passed	Failed	Total
Final			
Parts I and II together	3	3	6*
Part I only	9†	7	16
Part II only	112†	58	170

† In addition to the 112 who have completed the Final examination by passing Part II, 2 of the 9 successful candidates in Part I had already passed Part II and have therefore now completed the Final examination.

* In addition, 1 candidate who sat for both parts passed in Part I only.

The Final examination of The Society of Incorporated Accountants, was held for the last time in November 1961. Former students of the Society who registered as a result of the Scheme of Integration and who are eligible to present themselves for a Final examination must now apply to sit for the Final examination of the Institute. At its meeting on February 7th, 1962, the Council placed on record its appreciation of the services rendered by the Society's Board of Examiners.

South African Special Final Examination

53. The South African Special Final examination was held in South Africa and Southern Rhodesia in May and November 1961. The examination was passed by 17 candidates and failed by 2 candidates.

54. At its meeting on March 7th, 1962, the Council authorized the following statement which was published in *Accountancy* for March 1962 [and *The Accountant* of March 17th, 1962:]

"The Scheme of Integration between The Institute of Chartered Accountants in England and Wales and The Society of Incorporated Accountants provided that the Special Final examination of the Society held in South Africa and in Southern Rhodesia should be held until December 1967 "if and so long as the Council of the Institute considers it necessary and practicable to do so". The examination, which was conducted by the Society for many years in May and November annually, may be taken only by those former students of the Society who registered with the Institute as a result of the Scheme of Integration; no other person is eligible.

'The Council of the Institute has decided that from May 1962 the examination will be held in May only of each year, subject to its right under the Scheme to discontinue the examination before 1967.

'Any former student of the Society who registered with the Institute under the Scheme of Integration and who

[1] Not reproduced.

has not received a communication incorporating the foregoing information is invited to write to the Secretary of the Institute, Moorgate Place, London EC2.'

Examination Prizes and Certificates of Merit

55. The names of the candidates awarded prizes and certificates of merit in the Institute's examinations held in 1961 are given in the Appendix, page 78[1]. The President presented prizes and certificates of merit in the Oak Hall. Candidates accompanied by their relatives and friends were entertained to tea and given the opportunity of seeing the Council Chamber, the Committee Room and the Library.

The C. W. Boyce Prize

56. Chartered Accountants Charities Ltd, as trustee of the Institute Prize Trust Fund, has accepted a special donation of £250 contributed by many friends in Bradford of the late Charles William Boyce, C.B.E., F.C.A., on the understanding that not less than seven guineas will be made available half-yearly for C. W. Boyce Prizes. Mr Boyce was a member of the Council from 1935 to 1957 and was President for the year 1951–52. The C. W. Boyce Prize will be awarded in the Final examination to the student of the Bradford and District Chartered Accountant Students' Society who obtains the best results in the examination as a whole; an announcement to that effect appeared in *Accountancy* for October 1961 [and *The Accountant* of October 14th, 1961]. The first award was made in respect of the November 1961 Final examination.

The Charles M. Strachan Prize

57. Chartered Accountants Charities Ltd, as trustee of the Institute Prize Trust Fund, has accepted a gift of £900 Hull Corporation 3½ per cent Irredeemable stock First Issue from Mr Charles Maxwell Strachan, O.B.E., F.C.A., on the understanding that not less than fifteen guineas will be made available half-yearly for Charles M. Strachan Prizes. The Council has acknowledged with gratitude this gift by Mr Strachan who was a member of the Council from 1949 to 1961. At its meeting on February 7th, 1962, the Council decided that the Charles M. Strachan Prize shall be awarded in the Final examination to the Candidate (other than the candidate taking any other prize) who obtains the highest number of marks in the examination; an announcement to that effect appeared in *Accountancy* for February 1962 [and *The Accountant* of February 17th, 1962]. The first award was made in respect of the November 1961 Final examination.

Exemption from the Preliminary Examination

58. *Bye-law 78.* Certificates of exemption from the Preliminary examination were issued during the year 1961 to 3,336 persons who had passed exempting examinations compared with 3,067 in the previous year.

59. *Executive Class Written Open Competition Examination.* At its meeting on June 7th, 1961, the Council decided that the Executive Class Written Open Competition Examination of the Civil Service Commission should be added to the list of examinations recognized under bye-law 78 (*b*) for the purpose of exemption from the Preliminary examination and that a candidate relying upon that examination should be required to have obtained a pass in one of the optional mathematical subjects available on the syllabus. An announcement to that effect was published in *Accountancy* for June 1961 [and *The Accountant* of June 17th, 1961].

60. *Bye-law 79.* Exemption from the Preliminary examination was granted during the year 1961 to 21 applicants under bye-law 79. One application was refused. (The number of applications granted in 1960 was 37.) This bye-law relates to persons, not being under the age of 30 years, who at the date of application had been for ten years continuously in employment as clerk to a member or members in practice.

[1] Not reproduced.

61. *Bye-law 81.* During the year 1961 permission was granted to 3 applicants to sit the Intermediate examination earlier than normally eligible; and 6 applications were refused. (The numbers in 1960 were 8 granted and 3 refused.)

62. *Bye-law 86 (a).* During the year 1961 permission was granted to 10 applicants to sit the Final examination earlier than normally eligible; and 8 applications were refused. (The numbers in 1960 were 19 granted and 3 refused.)

Education and Training Committee

63. At its meeting on April 5th, 1961, the Council authorized the issue of the following statement which was published in *Accountancy* for April 1961 [and *The Accountant* of April 15th, 1961]:

'The Council received the report of the Education and Training Committee.

'The Council expressed its warm thanks to the chairman, Mr W. E. Parker, C.B.E., F.C.A., and to the members of the committee, especially those who are not themselves members of the Council. It also expressed its gratitude to the many persons inside and outside the membership of the Institute who have assisted the committee with evidence and advice, and the Secretariat which has served the committee so well.

'It was decided that the report should be referred to the appropriate committees of the Council and to the committees of the district societies. Until these committees have given the report the close study which it requires the Council will not be in a position to indicate its own attitude to the various recommendations. In the meantime, therefore, although the Council has agreed to publication the report should not be looked upon as giving any indication of the views of the Council.

'Copies of the report may be obtained free of charge on application to the Secretary, Moorgate Place, London EC2, on and after Friday, May 5th, 1962.'

The report of the committee has been considered in detail by the Council in the light of the comments made by the committees of the Council and the committees of the district societies. The Council has adopted in principle many of the recommendations made in the report and others are still under consideration. The relevant committees are considering the financial implications and, where applicable, the procedure and time-table for implementation. There will be consequential alterations to the Royal Charters and bye-laws. Meanwhile announcements will be made from time to time by the Council but no member, student or prospective student should take any course of action based on the assumption that a particular recommendation will be implemented.

64. In view of the increasing part being played by technical and commercial colleges within the educational system, the Council has decided to examine the scope for assistance from such colleges on a wider scale than is envisaged in the report of the Education and Training Committee.

Articles of Clerkship

65. *Registrations.* During the year 1961 the number of articles of clerkship registered was 3,240 compared with 2,992 in 1960.

66. *Service under articles in Scotland and Northern Ireland.* As stated in paragraph 2 the Royal Charters and bye-laws have been amended so that associates and fellows in practice in Scotland or Northern Ireland may take articled clerks under precisely the same conditions as associates and fellows in practice in England or Wales.

67. *Permitted number of articled clerks.* At December 31st, 1961, permission under bye-law 56A to take additional articled clerks was in operation for the partners in 55 firms, who had been allowed 787 additional clerks.

68. *Refusal to register articles of clerkship.* An applicant for exemption from the Preliminary examination who admitted forging a letter submitted in support of the application was informed that the Council will refuse to accept for registration articles of clerkship to which he is a party. An articled clerk whose articles had been cancelled because of theft by him was informed that further articles to which he is a party will not be registered.

69. *Disciplinary Committee.* Since the last report the Disciplinary Committee has considered formal complaints

preferred by the Investigation Committeee against three articled clerks. The findings and decisions of the Disciplinary Committee in respect of two of these clerks are recorded in the Appendix[1], and have been reported in *Accountancy* and *The Accountant*. In respect of the third clerk the Disciplinary Committee decided to take no action.

70. *Prescribed clauses.* Two applications were received and one was granted during the year 1961 for permission to waive the inclusion of certain provisions prescribed under bye-law 51 for inclusion in all articles. (In 1960 one application was made and was granted.)

71. *Bye-law 57* During the year 1961 permission was granted to 22 articled clerks to follow, while under articles, another business or occupation to the limited extent specified in their applications; and 2 applications were refused. (The numbers in 1960 were 18 granted and none refused.)

72. *Bye-law 58 (c).* During the year 1961 permission was granted to 38 articled clerks wishing to spend periods not exceeding six months in an industrial, commercial or other suitable organization; and 2 applications were refused. (The numbers in 1960 were 31 granted and one refused.)

Concessions to Former Regular Officers

73. In the last report (paragraphs 62 and 63) the Council recorded its decision to use its powers under bye-law 63 in favour of former regular officers of H.M. Forces who satisfy certain conditions; and in accordance with the resolution passed at the annual meeting on May 3rd, 1961, the bye-law, has been amended by removing the requirement that the national service shall have been during war or any other period of national emergency. To the end of the year 1961 the Council granted 5 applications under bye-law 63 (*c*) for a reduction of one year in the period of articled service. One application was refused. No applications were received under bye-law 63 (*a*) for exemption from the Preliminary examination.

Recruitment of Articled Clerks

74. The Council has continued its efforts to make students, parents and careers advisers more aware of the many aspects and advantages of a career as a chartered accountant. It has relied greatly on the work of district societies, branches, groups and individual members in fostering contacts with schools and youth employment officers and in arranging for representation at careers conventions and exhibitions.

75. More than one hundred members of the Institute in most parts of England and Wales have been nominated by district societies to give advice concerning entry into articles and, where required, to give introductions to members with vacancies for articled clerks. The names and addresses of the members so nominated have been sent to all schools in England and Wales at which pupils remain to the age of 16 and beyond, to university appointments officers and to the youth employment service.

76. For Greater London, the individual advisory and introductory service is undertaken by the staff of the Institute. Over 700 interviews took place in 1961 and more than 400 students entered articles with members to whom they had been introduced by the Institute.

77. Members who are prepared to accept students from overseas are strongly recommended to make use of the introductory service provided by the Institute. It is in the best interests of members and students that this service should be regarded as the normal method of introduction for overseas students. Attention is therefore drawn to the statement issued by the Council in June 1961 [*The Accountant*, June 17th, 1961].

78. New editions of the booklets *Why Not Become a Chartered Accountant?* and *The Chartered Accountant: A Career for Graduates* have been widely circulated and the Central Youth Employment Executive has repeated the half-yearly comprehensive distribution to schools of the booklet *General Information and Syllabus of Examinations.*

79. Advertisements and contributed articles have appeared in the principal careers guides for university students and on March 29th, 1962, a conference was held at Moorgate Place with university appointments officers. The appointment of the Committee on Relations with the Universities (paragraph 9) is a further indication of the great importance which the Council attaches to the need for a substantial increase in the number of graduates who enter into articles.

80. During Commonwealth Technical Training Week (May 29th to June 4th, 1961), district societies and individual members throughout the country co-operated in many local exhibitions and conventions and organized special meetings for teachers and students. The Council wishes to thank members for participating and for the work which they are still doing to maintain and extend the goodwill created by their efforts.

Bye-laws 61 and 85 (*b*)

81. Bye-laws 61 and 85 (*b*) relate to those persons who have for not less than ten years been continuously in employment as clerks to members in practice or who have had experience which in the opinion of the Council is equivalent to such employment. Such persons may apply for a reduction in the period of service under articles (bye-law 61) and exemption from the Intermediate examination (bye-law 85 (*b*)). Applications determined in 1961 were as follows:

Bye-law 61: 34 applications, of which 27 were granted. (In 1960 the numbers were 46 and 42 respectively.)
Bye-law 85 (b): 29 applications, of which 17 were granted. (In 1960 the numbers were 27 and 13 respectively.)

All these applicants were interviewed in London or in the provinces unless they had already been interviewed in connection with an application under bye-law 79 (see paragraph 60).

The Robbins Committee on Higher Education

82. At its meeting on August 2nd, 1961, the Council approved a memorandum for submission to the Committee on Higher Education (the Robbins Committee). Oral evidence was later given by Mr W. G. Densem, F.C.A., and Mr W. E. Parker, C.B.E., F.C.A.

The Universities and the Accountancy Profession

83. *Bye-law 85 (a).* During the year 1961 exemption from the Intermediate examination was granted to 101 articled clerks who had graduated after taking one of the degree courses approved for the purposes of bye-law 62; and 3 applications were refused. (The numbers in 1960 were 132 granted and none refused.)

84. *Approved university degree courses.* At its meeting on November 1st, 1961, the Council approved the following university degree courses for the purpose of bye-law 62 provided that in each case the subjects taken are in accordance with the course approved by the Joint Standing Committee of the Universities and the Accountancy Profession:

University of Leeds. Bachelor of Commerce (in place of the previously approved Bachelor of Commerce) for students commencing their degree ccurse from October 1961.
University of London. Bachelor of Science in Economics (in place of the previously approved Bachelor of Science in Economics) for students commencing their degree course from October 1961.
University of Manchester. Bachelor of Arts in Economic and Social Studies (in place of the previously approved Bachelor of Arts in Commerce) for students commencing their degree course from October 1961.
University of Southampton. Bachelor of Science in the Social Sciences (in place of the previously approved Bachelor of Science in Economics) for students commencing their degree course from October 1962.

There is no change in the position of students who commenced a degree course previously approved under bye-law 62. A statement to the above effect appeared in

[1] Not reproduced.

Accountancy for November 1961 [and *The Accountant* of November 11th, 1961].

85. *Joint Standing committee's booklet.* Details of the degree courses approved by the Council under bye-law 62 are given in the booklet *The Universities and the Accountancy Profession* issued by the Joint Standing Committee of the Universities and the Accountancy Profession. The April 1960 edition of this booklet was published to cover the two university sessions from October 1961 to July 1963. In view, however, of the revision of the degree courses at the universities of Leeds, London and Manchester from October 1961 the booklet was revised and reprinted in September 1961.

86. *Institute booklet.* The Institute's booklet *Approved Universities Degree Courses: Explanatory Notes* was revised and reprinted in November 1961. This booklet explains the Institute's regulations regarding articles and examinations as they affect the joint standing committee's scheme.

87. *Conference.* A conference attended by members of the Joint Standing Committee of the Universities and the Accountancy Profession and representatives of the local joint committees of accountants and university representatives was held at Burwalls, University of Bristol, from September 22nd, to 24th, 1961. This was the sixth conference to be held.

Students' Societies

88. On March 6th, 1962, a liaison committee of the Union of Chartered Accountant Students' Societies had its annual discussion with the President and certain members of the Council.

Grants to Students

89. In order to compile a more comprehensive record for the benefit of members and articled clerks an inquiry is to be undertaken, with the co-operation of students' societies, to establish which local education authorities have made grants towards the tuition expenses of articled clerks.

Summer Courses

90. *1961.* Two summer courses were held in 1961 as follows:

(*a*) *Oxford.* A summer course held at Christ Church, from July 13th to 18th, 1961, was attended by 185 members of whom 84 were in practice, 48 were engaged in industrial, commercial and other occupations and 53 were engaged with public accountants. The addresses presented were as follows: 'Services to the private company and its members', by Mr A. B. Snow, F.C.A.; 'Surtax and companies', by Mr J. S. Heaton, F.C.A.; and 'Some problems of a group upon the acquisition of companies', by Mr R. O. A. Keel, F.C.A. In addition an informal talk was given by Sir Theobald Mathew, K.B.E., M.C., the Director of Public Prosecutions. Mr John L. Carey, Executive Director of The American Institute of Certified Public Accountants, took part in a general discussion on topics of interest to the profession with the Secretary and Deputy Secretary of the Institute. Mr H. C. Treffers, President of the Nederlands Instituut van Accountants, attended the course.

(*b*) *Cambridge.* A summer course held at Gonville and Caius College from September 13th to 17th, 1961, was attended by 161 members of whom 52 were in practice, 75 were engaged in industrial, commercial and other occupations and 34 were engaged with public accountants. The addresses presented were as follows: 'The employment of capital', by Mr J. C. Walker, F.C.A.; 'Some considerations in relation to the accounting treatment of stock-in-trade and work in progress', by Mr H. W. Sydenham, F.C.A.; and 'What the business man expects of the practising professional accountant', by Sir Donald Perrott, K.B.E.

The full text of the six formal addresses, together with the programme for both courses, was subsequently reprinted in the form of a booklet for each course for which an order form was sent to all members of the Institute on November 14th, 1961. The price of the booklets is 5*s* each post free. (Remittances must accompany orders.)

91. *1962.* Summer courses are to be held in 1962 as follows:

(*a*) *Cambridge,* at Emmanuel and Sidney Sussex Colleges from Wednesday, 18th to Sunday, July 22nd, 1962. The subjects and speakers will be: 'Taxation aspects of amalgamations and reconstructions', by Mr D. O. Bailey, F.C.A.; 'Service to management', by Mr R. D. S. Shrimpton, F.C.A.; and 'Insurance and the accountant', by Mr David Williamson, F.C.A.

(*b*) *Oxford,* at Christ Church and Pembroke College from Thursday, 13th to Tuesday, September 18th, 1962. The subjects and speakers will be: 'The training of accountants for industrial responsibilities', by Mr G. W. Searle, D.S.C., F.C.A.; 'The problems of the smaller practice', by Mr R. W. Smith, O.B.E., T.D., F.C.A.; and 'Investment in stocks and shares', by Mr Mr A. G. Touche, F.C.A. Informal talks will be given by Sir Edmund Compton, K.B.E., C.B., the Comptroller and Auditor-General, and by Mr Howard Ross, a Vice-President of The Canadian Institute of Chartered Accountants.

An application form was sent to all members of the Institute on February 16th, 1962.

92. *1963.* Provisional dates for summer courses in 1963 are:

Oxford	..	July 11th to 16th, 1963.
Cambridge	..	September 11th to 15th, 1963.

District Societies of Chartered Accountants

93. *President's visits.* The President, with the Secretary or an Under-Secretary, has attended annual dinners or other annual functions of the district societies and has met students at informal meetings during his visits. Members of the Council have represented the Institute at dinners and other functions held by branches and students' societies.

94. *Annual conference.* The annual meeting of Presidents and Secretaries of district societies with representatives of the Council took place on November 9th, 1961.

95. *Areas.* Following agreement between the two societies concerned, the Council has agreed to an alteration in the boundaries of the Sheffield and District Society and the Leeds, Bradford and District Society. The re-definition of the areas is set out in the Appendix.[1]

96. *London and District Society of Chartered Accountants.* The Council appointed Mr D. V. House, F.C.A., Mr J. H. Mann, M.B.E., M.A., F.C.A., and Mr J. D. Russell, M.A., F.C.A., to serve on the Committee of the London and District Society of Chartered Accountants for the year 1961–62.

97. *Women Chartered Accountants' Dining Society.* The President and the Secretary, accompanied by Mrs Granger and Mrs MacIver, attended the annual dinner of the society on December 1st, 1961.

The Small Practitioner

98. The President has asked all district societies to undertake an inquiry into the problems and difficulties of the small practitioner. The President's letter to presidents of district societies was accompanied by a standard form of questionnaire; and the letter was reproduced in *Accountancy* for October 1961 [and *The Accountant* of October 21st, 1961]. District societies, branches and groups have held meetings and the views which have been expressed are being examined in committee and will in due course be considered by the Council. The Council appreciates the contribution which has been made by presidents and by other officers of district

[1] Not reproduced.

societies in undertaking the considerable amount of work which the inquiry has involved.

Technical Activities Committee

99. The Technical Activities Committee was appointed by the Council at its meeting on June 3rd, 1959, to review the whole question of the Institute's activities in the technical field and to report with recommendations on (*a*) objectives, (*b*) how those objectives can be achieved, and (*c*) the associated problems of staff and office accommodation. The committee's report was received by the Council at its meeting on March 7th, 1962, and is now under consideration.

Statements on Auditing

100. Four years ago the then President in his address to the annual meeting mentioned that the Council had decided to see whether a series of Statements on Auditing could be prepared by way of parallel to the Recommendations on Accounting Principles. He said that this possibility would need to be examined very carefully and that the preparation of such documents must inevitably take a considerable time but he expressed the hope that it would prove possible to render assistance to members in that way. At the annual meeting on May 3rd, 1961, the President referred to this matter and said:

> 'We have made a good deal of progress since then and it is my hope and belief that before long the Council will be able to begin to issue a series of Statements on Auditing. I am confident that the issue of such a series could result in progress in auditing standards no less spectacular than the progress in standards of company accounting which were brought about by the Council's decision nearly twenty years ago to issue the Recommendations on Accounting Principles.'

101. The Council has now begun the issue of such a series of Statements on Auditing as follows:

(1) *General Principles of Auditing*, distributed on August 16th, 1961, as Supplement No. 9 to the *Members' Handbook*.

(2) *Stock-in-trade and Work in Progress*, distributed on March 15th, 1962, as Supplement No. 10, to the *Members' Handbook*.

Each statement is also available in booklet form price 1*s* per copy including postage. (*Remittances must accompany orders.*) In this form the statements have been issued to the students' societies for distribution to all their student members.

Terminology in Published Accounts

102. At its meeting on January 3rd, 1962, the Council approved notes entitled *Terms used in Published Accounts of Limited Companies* for issue to members for insertion in the *Members' Handbook*. An announcement to that effect appeared in *Accountancy* for January 1962 [and *The Accountant* of January 13th, 1962]. These notes are to be issued on May 4th, 1962, as part of Supplement No. 11 to the *Members' Handbook*. The notes are also available in booklet form, price 5*s* including postage. (*Remittances must accompany orders.*)

Taxation

103. *Finance Act, 1961.* A memorandum on the Finance Bill was submitted to the Chancellor of the Exchequer on May 12th, 1961, and was discussed with members of the Board of Inland Revenue on May 24th, 1961, when the Institute was represented by Mr H. A. Benson, C.B.E., F.C.A., Mr N. B. Hart, O.B.E., T.D., M.A., LL.B., F.C.A., and Mr J. E. Talbot, F.C.A.

104. *Stock-in-trade and Work in Progress.* As a result of discussions which Mr S. John Pears, F.C.A. (as President), and Sir William Carrington, F.C.A., had had with the Chairman and other representatives of the Board of Inland Revenue the following letters were received:

(*a*) letter dated May 1st, 1961, from the Chairman of the Board setting out the Revenue's attitude to the Council's Recommendation 22 on *The Treatment of Stock-in-trade and Work in Progress in Financial Accounts.*

(*b*) letter dated May 25th, 1961, from Mr H. G. Thomas, Senior Principal Inspector of Taxes, regarding the 'adjusted selling price' method of computation of cost of stock-in-trade.

These letters were reproduced in *Accountancy* for May 1961 and June 1961 respectively [and *The Accountant* of May 13th and June 17th, 1961].

105. *Discussions with the Board of Inland Revenue.* In addition to stock-in-trade, referred to in the preceding paragraph, other matters have been the subject of discussion with representatives of the Board of Inland Revenue. The Council greatly values these opportunities for discussion which it hopes and believes are of mutual benefit. Statements arising therefrom will be issued as and when this is considered to be appropriate.

106. *Apportionment of expenditure on repairs and improvements of fixed assets.* At its meeting on October 4th, 1961, the Council approved the publication of a statement[1] recording the view of the Board of Inland Revenue that where it is established that actual repairs have been carried out at the same time as improvements the law permits the expenditure to be apportioned between the two elements.

107. *Schedule E: members' subscriptions to district societies.* The Council is pleased to report that all 13 provincial district societies have now been approved by the Commissioners of Inland Revenue for the purposes of section 16 of the Finance Act, 1958. Accordingly the whole of the annual subscription paid to a district society by a member who qualifies for relief under that section is allowable as a deduction from his emoluments assessable to income tax under Schedule E.

108. *Interest on Government stocks on the Post Office Register.* The Council has made representations to the Treasury (by way of renewal of representations made in 1948 and 1956) regarding the absence of vouchers for interest paid on issues of Government stocks on the Post Office register. No change is likely to be made while the existing equipment for making payments is in use.

109. *Overseas trade corporations.* At its meeting on March 7th, 1962, the Council authorized the sending of a letter to the Chancellor of the Exchequer enclosing a memorandum on practical difficulties encountered in the operation of the overseas trade corporations legislation and also requesting the Chancellor to consider again the proposal made by the Council in its memorandum of December 2nd, 1959, that the legislation should be extended to embrace income from non-resident subsidiaries.

Building Societies

110. The following statement was authorized by the Council at its meeting on June 7th, 1961, and published in *Accountancy* for June 1961 [and *The Accountant* of June 17th, 1962].

> 'The Council in its booklet *Audits of Building Societies* (which was published in December 1960 and reproduced in the December issue of *Accountancy*) has drawn the attention of members to section 48 of the Building Societies Act, 1960, and its possible effect on the holding of a building society agency by the auditor of that society.
>
> 'The Council has now given further consideration to the ethical aspects of this matter. The Council is of the opinion that, from the standpoint of professional independence, it is undesirable that an auditor of a building society (or his partner, or firm, or employee or employer) should also act as agent for the same society.'

The Charities Act, 1960

111. *The Charities (Statements of Account) Regulations, 1960.* The Council is still in correspondence with the Home Office with a view to the withdrawal and replacement of the Charities (Statements of Account) Regulations, 1960 (paragraph 110 of the last report), on the ground that the regulations place upon charity trustees the unreasonable burden and expense of preparing accounts in the form prescribed by the regulations in addition to the different accounts

[1] See *The Accountant* of October 14th, 1961.

already required under section 32 (1) of the Charities Act, 1960.

Local Government Act, 1933 Section 76: Disclosure of pecuniary interest

112. The Council has obtained the opinion of counsel (Appendix, page 93)[1] on the position of practising members of the Institute who are members of local authorities and therefore subject to the provisions of section 76 of the Local Government Act, 1933.

The Stock Exchange

113. *Rule 79A of the Rules of The Stock Exchange.* At the request of The Stock Exchange, London, the Council has assisted with the drafting of important amendments to Rule 79A of the Rules of The Stock Exchange which relates to the balance sheets of brokers and jobbers.

114. *Ex-dividend and ex rights procedure.* The Institute was consulted prior to the issue by the Secretary of the Share and Loan Department of the Stock Exchange, London, of a letter dated November 24th, 1961, requesting companies to have regard to the Stock Exchange calendar in fixing dates of board meetings and dates for closing share registers in order to reduce the number of dividend claims which arise where a purchaser cum-dividend is not registered in time to receive the dividend direct from the company.

115. *Transfer of securities.* The Council submitted comments on the first report dated December 1960 of the Committee on Transfer of Securities set up by the Stock Exchange, London, and on the report of its Advisory Committee. These reports were concerned with the simplification of transfer procedure.

Documents Issued by Companies

116. The Council attaches importance to the matter dealt with in its statement of December 1960 (paragraph 103 of the last report) that is to say the inclusion of a reference to professional accountants, along with stockbrokers, bankers and solicitors, as being persons to be consulted by shareholders who do not fully understand documents received by them. In the hope of improving company practice in this matter letters have been sent (Appendix, page 95)[1] to the issuing houses which are members of the Issuing Houses Association and to a considerable number of firms of solicitors who are believed to deal with company matters to a material extent.

Dividend Warrants

117. Comments have been submitted on behalf of the Council on a draft British Standard Specification for dividend warrants and relative tax vouchers drawn up by a sub-committee of the technical committee on commercial forms and stationery of the British Standards Institution. Mr R. P. Brown, F.C.A., is the Institute's representative on the commercial forms and stationery committee and Mr D. W. Robertson, F.C.A. (alternate Mr L. H. Clark, F.C.A.) is the Institute's representative on the dividend warrants sub-committee.

Unlawful Acts or Defaults by Clients of Members

118. Amendments to certain paragraphs of the Council statement on *Unlawful Acts or Defaults by Clients of Members* (*Members' Handbook*, section S5) have been approved by the Council and will be issued on May 4th, 1962, as part of Supplement No. 11 to the *Members' Handbook*. These amendments arise from the provisions of section 47 of the Finance Act, 1960, relating to the making of incorrect returns and from the decision of the House of Lords in the case of *Sykes v. Director of Public Prosecutions* with regard to the offence of misprision of felony.

[1] Not reproduced

Taxation and Research Committee

119. *Meetings.* During the year 1961 the Taxation and Research Committee held six meetings and its sub-committees held seventy-five meetings, making a total of eighty-one meetings for the committee and nineteen sub-committees. (The total for 1960 was eighty-seven meetings.)

120. *Activities.* The Taxation and Research Committee played an important part in the drafting of the first two *Statements on Auditing – No. 1, General Principles of Auditing* and *No. 2 Stock-in-trade and Work in Progress* (paragraph 101), the preparation of *Terms used in Published Accounts of Limited Companies* (paragraph 102), the drafting of the memorandum on the Finance Bill (paragraph 103) and the drafting of the memorandum on Overseas Trade Corporations (paragraph 109). A number of other matters were the subjects of special reports by the Taxation and Research Committee, which throughout the year continued to receive valuable assistance from the regional taxation and research committees of the district societies.

121. *Chairman and Vice-Chairman.* At its meeting in September 1961 the Taxation and Research Committee appointed Mr J. Cartner, F.C.A., as Chairman for the year commencing October 1st, 1961, in succession to Mr G. N. Hunter, F.C.A. Mr S. M. Duncan, F.C.A., was appointed Vice-Chairman.

122. *Council appointments.* The following twelve members were appointed by the Council to serve on the Taxation and Research Committee for the year commencing October 1st, 1961: Messrs G. R. Appleyard, F.C.A., L. H. Clark, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, F.C.A., R. O. A. Keel, F.C.A., J. W. Margetts, F.C.A., G. P. Morgan-Jones, M.A., F.C.A., L. Pells, M.A., F.C.A., J. Perfect, F.C.A., D. W. Robertson, F.C.A., C. Romer-Lee, M.A., F.C.A., and J. G. Vaughan, F.C.A. In December 1961 Mr Keel resigned and the Council has appointed Mr R. W. Foad, F.C.A., to fill the vacancy.

123. *Death of Mr L. J. H. Noyes.* Reference is made in paragraph 167 to the death of Mr L. J. H. Noyes, B.SC.(ECON.), F.C.A., the Secretary to the Taxation and Research Committee since 1954.

Advertising of Accountancy Services by Members of Other Professions

124. It is the practice of the Council to take up with other professional bodies instances where their members have referred in advertisements to the provision of accountancy services. As a result of such an approach a firm of auctioneers and estate agents has agreed to discontinue an advertisement stating that it undertakes accountancy work.

Misuse of Designations

125. The Council has taken appropriate action in any case reported to it of a person misdescribing himself as a chartered accountant or as an incorporated accountant.

Accountants Joint Parliamentary Committee

126. The Accountants Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of auditors and has taken action on a number of Bills and Departmental Orders.

Chartered Accountants Joint Standing Committee

127. The Chartered Accountants Joint Standing Committee consisting of representatives of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland has considered matters of common interest to the three institutes.

128. The Overseas Accountancy Examinations Advisory Board established by the Chartered Accountants Joint Standing Committee has continued its work of advising

and assisting overseas bodies in establishing and conducting their own accountancy examinations.

Writ against the Institute

129. As stated in the last report (paragraph 128) the George S. May International Company (G.B.) has issued a writ against the Institute claiming damages for libel and an injunction.

Eighth International Congress of Accountants New York, September 1962

130. On June 29th, 1961, a notice was sent to all members giving preliminary details of the Eighth International Congress of Accountants to be held in New York from September 23rd to 27th, 1962. Nearly 800 members indicated their interest in attending and their names were notified to the Congress Secretary in New York.

131. The theme of the congress will be 'Auditing and financial reporting in the world economy'. Each subject is to be dealt with from the standpoint of communicating financial information to investors, banks, Government agencies and others and also from that of internal control and information for management purposes. Three members of the Institute accepted invitations to prepare papers: Mr H. A. Benson, C.B.E., F.C.A., on *Auditing and the world economy*; Mr R. O. A. Keel, F.C.A., on *Financial reporting and the world economy*; Mr W. E. Parker, C.B.E., F.C.A., on *Accounting and the world economy*. Mr G. P. Morgan-Jones, M.A., F.C.A., has been appointed to act as a Vice-Chairman of a technical session.

132. The Institute's thirty official delegates will have the President and Sir Thomas Robson, M.B.E., M.A., F.C.A., as their chairman and vice-chairman respectively.

133. Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., who was President of the Sixth International Congress on Accounting held in London in 1952, has accepted an invitation from the President of the Eighth International Congress to reply to the opening address of welcome.

134. The Council hopes that as many members of the Institute as possible will make arrangements to attend the congress so that the Institute representation will be worthy of the major part which members have taken over the years in the international development of the profession. Any member who wishes to attend the congress and has not yet notified the Secretary should do so as soon as possible.

European Congress of Accountants, 1963

135. Representatives of European accountancy bodies agreed at a meeting held in Glasgow on November 28th, 1961, that arrangements should proceed for the holding of a European Congress of Accountants in Edinburgh in September 1963, with The Institute of Chartered Accountants of Scotland acting as the host organization. His Royal Highness The Duke of Edinburgh has been pleased to give his Patronage to the congress. It will take place from September 10th to 13th, 1963, and the subjects of the papers will be *Auditing; Accounting principles; The impact of electronics on the accountant of the future;* and *The accountant's contribution to small businesses, particularly in connection with specialized services.* Mr A. McKellar, Past President of The Institute of Chartered Accountants of Scotland, has been appointed President of the Congress and Chairman of the Policy Committee. Sir Thomas Robson, M.B.E., M.A., F.C.A., has been appointed to represent the Institute on the Policy Committee with Mr S. John Pears, F.C.A., as alternate. Mr S. M. Duncan, F.C.A., has accepted an invitation to prepare a paper on *Auditing*. Miss D. M. Vaughan, B.A., F.C.A., and Mr M. G. Wittet, F.C.A., have been nominated as Joint Honorary Auditors of the congress. The Council hopes that the congress will be well supported by members.

World Bank

136. The President, Mr P. F. Granger, F.C.A., accompanied by Mrs Granger, represented the Institute at the annual meetings of the World Bank, the International Finance Corporation, the International Development Association and the International Monetary Fund held in Vienna from September 18th to 22nd, 1961.

Practice Rights Overseas

137. Legislation and other developments affecting the practice of accountancy and auditing in many countries overseas have been watched closely and continuously throughout the year. Representations have been made where these appeared to be desirable, including representations with a view to safeguarding the practice rights of members in the Common Market countries of Europe. Information and advice have readily been given in response to requests from overseas countries.

138. The Council cannot emphasize too often its belief that the ideal arrangement is reciprocity in all parts of the world of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence. The international nature of the profession is such as to require a liberal attitude towards world freedom of practice rights, if the profession is to be able to continue to serve adequately the business interests which depend upon it.

139. The Council believes that all forms of artificial barriers (by reference to nationality, residence, partnership association, firm names, or otherwise) are detrimental to the future development of the profession and to the interests of the countries imposing such barriers. In the past, over a long period of years, United Kingdom chartered accountants have taken a major part in the creation and development of an organized profession in many overseas countries; it is the Council's earnest hope that they will be enabled to continue to make a material contribution in this way.

Other Overseas Matters

140. *Canada.* Mr W. H. Lawson, C.B.E., B.A., F.C.A., represented the Institute at the fifty-ninth annual conference of The Canadian Institute of Chartered Accountants held in Toronto from September 24th to 27th, 1961. Mr Lawson read a paper on *Practical steps to improve financial statements.* In May 1961 the President sent the following message under the Common Seal of the Institute to the President of The Institute of Chartered Accountants in Manitoba:

> 'At a meeting held on May 3rd, 1961, in the Council Chamber at Moorgate Place, London, the Council of The Institute of Chartered Accountants in England and Wales resolved to convey to The Institute of Chartered Accountants of Manitoba on the occasion of the seventy-fifth anniversary of its incorporation on May 28th, 1886, the congratulations of the Council and best wishes for the future progress and prosperity of The Institute of Chartered Accountants of Manitoba.'

141. *Denmark.* The President, Mr P. F. Granger, F.C.A., and Mr C. A. Evan-Jones, M.B.E., an Under-Secretary, accompanied by Mrs Granger and Mrs Evan-Jones, represented the Institute at the Fiftieth Anniversary celebrations of the Föreningen af Statsautoriserede Revisorer held in Copenhagen on January 12th, 1962. The President conveyed the following message under the Common Seal of the Institute:

> 'At a meeting held on December 6th, 1961, in the Council Chamber at Moorgate Place, London, the Council of The Institute of Chartered Accountants in England and Wales resolved to convey to the Föreningen af Statsautoriserede Revisorer in Denmark, on the occasion of the Golden Jubilee of its formation on January 12th, 1912, the congratulations of the Council and best wishes for the future progress and prosperity of the Föreningen af Statsautoriserede Revisorer.'

142. *France.* Sir Thomas Robson, M.B.E., M.A., F.C.A., gave evidence on behalf of the Institute on June 22nd, 1961, in Paris before the Pleven Commission on company law in France.

143. *Netherlands.* The President, Mr P. F. Granger, F.C.A., and the Secretary, accompanied by Mrs Granger and Mrs MacIver, represented the Institute at the Accountants' Yearday of the Nederlands Instituut van Accountants at Scheveningen on September 29th and 30th, 1961.

144. *South Africa.* The following statement was authorized by the Council at its meeting on October 4th, 1961, and published in *Accountancy* for October 1961 [and *The Accountant* of October 14th, 1961]:

South Africa: Bye-law 47

'The four societies of chartered accountants in South Africa have for many years been approved by the Council under bye-law 47 to enable the description "chartered accountants" to be used by a firm with partners consisting of members of the Institute together with a person having the qualification of a South African chartered accountant but not membership of the Institute. Bye-law 47 requires not only that the overseas body of chartered accountants should be approved by the Council but also that the body should be in the British Commonwealth of Nations and accordingly the approval of the four South African societies of chartered accountants has lapsed following the withdrawal of South Africa from the British Commonwealth. The Council considers that this result would be unfair to the firms which are or may be affected and accordingly proposes to place before the members of the Institute in due course a resolution for the amendment of bye-law 47 to the effect that where an overseas body has been approved under bye-law 47 the approval shall not cease to be effective by reason only of the country concerned ceasing or having ceased to be within the British Commonwealth of Nations.

'In the meantime in accordance with the spirit of the Republic of South Africa (Temporary Provisions) Act, 1961, the Council will not object to the use of the description "chartered accountants" by any firm which would have been entitled to that description but for the withdrawal of South Africa from the British Commonwealth.'

The necessary resolution will be proposed at a special meeting of members to be held on May 3rd, 1962, at the conclusion of the annual meeting.

145. *United States of America.* Mr S. John Pears, F.C.A., accompanied by Mrs Pears, represented the Institute at the seventy-fourth annual meeting of The American Institute of Certified Public Accountants held in Chicago from October 29th to November 1st, 1961.

146. *Union Européenne des Experts Comptables, Économiques et Financiers.* Mr S. John Pears, F.C.A., and the Secretary, accompanied by Mrs MacIver, attended as observers on behalf of the Institute at the Fourth Congress of the Union Européenne des Experts Comptables Économiques et Financiers (U.E.C.) held in Zürich from September 18th to 21st, 1961.

The P. D. Leake Trust

147. At its meeting on February 7th, 1962, the Council approved for publication a booklet containing the accounts of the P. D. Leake Trust for the year ended October 31st, 1961, with the ninth report by the Council on the administration of the trust and the ninth report by the P. D. Leake Committee on the application of the income. Any interested person may obtain a copy, without charge, on application to the offices of the Institute. A statement to that effect was published in *Accountancy* for February 1962 [and *The Accountant* of February 17th, 1962].

Chartered Accountants Trustees Limited

148. Chartered Accountants Trustees Limited has continued to act as trustee of CARBS, CAESS and the Staff Pensions Fund and to administer the Merrett estate. The report of the directors and the accounts of the company to May 31st, 1961, appear in the Appendix, pages 96 and 97.[1]

Chartered Accountants Retirement Benefits Scheme (known as CARBS)

149. The Chartered Accountants Retirement Benefits Scheme provides retirement benefits for members who are self-employed or otherwise within the ambit of section 22 of the Finance Act, 1956. The accounts for the year ended May 31st, 1961, are reproduced in the Appendix, page 98,[1] and they show members' contributions of £139,681 compared with £146,751 in the previous year. The charge for Institute staff time devoted to administration was £750 as in the previous year. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

150. On November 14th, 1961, a notice was sent to all members resident in the United Kingdom in the following terms:

'The Trustees of CARBS have informed the Council of the Institute that, as a result of changed conditions, members contemplating a contribution to section A of CARBS may for the time being be able to secure better terms outside the scheme. The Council understands that the difference is not large but it appears at present that those members who are so inclined should explore the market before contributing to section A. (Members who have not yet contributed at least £50 in any one year may wish to consider the desirability of such a contribution to section A before June 30th, 1963, in order to secure the benefits of guaranteed contribution rates for the future.)

'Members who wish to make provision for a widow's pension on their death are still likely to find that section B is at least as attractive as any comparable contract and those already engaged on a series of contributions to section B or to section C (which is now closed to new entrants) should in their own interests complete the series.

'The change in surtax will for many members have removed the particular attraction of self-employed retirement annuities under the Finance Act, 1956, as endowment assurance with an annuity option may well be more satisfactory. The Institute is not in a position to advise members on the relative merits of the wide variety of insurances available and those seeking information will no doubt consult insurance brokers or make a direct approach to insurance companies.'

Chartered Accountants Employeees Superannuation Scheme (known as CAESS)

151. The accounts of CAESS for the year ended May 31st, 1961, are reproduced in the Appendix, page 99,[1] and show net contributions of £68,324 compared with £56,119 in the previous year. The charge for Institute staff time devoted to administration was £250 as in the previous year. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

152. CAESS provides a framework within which practising members may set up contributory retirement benefit schemes for their staffs. In their report (Appendix, page 101[1]) dated October 26th, 1961, to the Council the trustees said they were in no doubt that CAESS offers important advantages to most practising members, whether their firms be large or small, and expressed the hope that those who had not yet seriously considered the matter would consult the scheme secretaries. The report was issued to members generally on November 14th, 1961, and reproduced in *Accountancy* for November 1961 [and *The Accountant* of November 11th, 1961] together with the text of the third edition (October 1961) of the CAESS explanatory booklet.

153. At its meeting on July 5th, 1961, the Council appointed Mr G. P. Townend, M.B.E., M.A., F.C.A., to the Committee of CAESS as an 'employers' committeeman' to fill a vacancy caused through the retirement of Mr E. W. P. Broad, T.D., D.L., F.C.A., and resolved that the thanks of the Council be conveyed to Mr Broad for his services on the committee since its formation in 1957.

154. The fourth report of the committee of CAESS is reproduced in the Appendix, page 102.[1] The number of participating firms continues to increase. On March 31st, 1962, there were 1,050 individual members of the scheme from 227 participating firms, as against 973 members from 204 firms a year earlier.

Chartered Accountants Charities Limited

155. The funds of The Institute Prize Trust and The Chartered Accountants General Charitable Trust are administered by Chartered Accountants Charities Limited. The accounts appear at pages 66 to 68[2] During 1961 the

[1] Not reproduced.

[2] Reproduced in this issue.

Institute made the final payment of £450 less tax under a deed of covenant in favour of The Institute Prize Trust and no further deed of covenant is at present contemplated. Payments totalling £4,900 per annum less tax are at present being made by the Institute in favour of The Chartered Accountants General Charitable Trust under deeds of covenant entered into in 1956, 1957, 1960 and 1962. Grants from this trust are made to chartered accountant students' societies and joint tuition committees and to other charitable causes with which the Council may from time to time wish to associate the Institute.

F.C.A. Limited and A.C.A. Limited

156. Two wholly owned private companies, F.C.A. Limited and A.C.A. Limited, were formed during 1961, each with a share capital of £100, as a precaution against the registration of companies with those names by other persons.

Liquidation of The Society of Incorporated Accountants

157. Reference was made in the last report (paragraph 149) to the fact that the final winding up of The Society of Incorporated Accountants was being delayed pending the formal transfer to the Institute of certain legal proceedings against a body in India which were commenced before the Scheme of Integration. It is hoped that the remaining formalities in connection with this transfer will shortly be completed, thereby enabling the Society to be wound up.

History of The Society of Incorporated Accountants

158. *The History of The Society of Incorporated Accountants*, written by Mr A. A. Garrett, M.B.E., M.A., a former Secretary of the Society, was published in July 1961 by the Oxford University Press. Copies have been dispatched in fulfilment of all orders received. Further copies are still available and may be ordered from Mr C. A. Evan-Jones, c/o Lloyds Bank Limited, 55 Moorgate, London EC2. The price is £1 4*s* including postage and packing. The special attention of former members of the Society is drawn to this publication.

Capel House (Medcalf) Trust

159. Reference was made in the last report (paragraph 141) to the Capel House (Medcalf) Trust which was created in 1953 by the late Colonel S. A. Medcalf, O.B.E., T.D., D.L., who settled Capel House, Enfield, with certain investments, on trust for the education of students and members of The Society of Incorporated Accountants. On the application of the trustees the High Court has declared the trusts to be valid charitable trusts and has ordered a *cy près* scheme. The trustees have now completed a draft scheme for submission to the High Court.

Financial Position

160. The audited accounts for 1961 accompany this report, commencing at page 46[1].

161. Although income for 1961 has exceeded expenditure by £11,678 and there has been a further substantial appreciation in the value of investments, which at December 31st, 1961, stood £189,344 above cost (£105,627 in 1960), the present resources and income will require substantial augmentation to meet expenditure on accommodation (see paragraph 169) and expansion in the scope and extent of the Institute's activities. The recommendations of the Council will be placed before members in due course.

Reduced Subscriptions under Bye-law 43

162. *Retired members.* The subscriptions of 1,336 members were reduced to one guinea for the year 1961 under bye-law 43. (The number of subscriptions so reduced in 1960 was 1,227.) The great majority of these members satisfy all the conditions of the bye-law. A small number of the reductions was allowed under the special discretionary power given by the bye-law.

163. *National service.* The subscriptions for 1961 of 645 members engaged on compulsory full-time national service on January 1st, 1961, were reduced to one guinea under bye-law 43 in accordance with the concession introduced in 1956.

Staff

164. Mr Maurice Comber Ashill, F.C.A., has been appointed an Under-Secretary and commenced his duties on August 1st, 1961.

165. Mr George Albert Slator, F.C.A., has been appointed an Assistant Secretary to the Taxation and Research Committee and commenced his duties on September 11th, 1961.

166. Mr Walter Taplin, M.A., B.COM., has been appointed Editor of *Accountancy* with effect from November 1st, 1961.

167. The Council records with regret the death on July 29th, 1961, of Mr Leslie John Henry Noyes, B.SC.(ECON.), F.C.A., who had been Secretary to the Taxation and Research Committee of the Institute since 1954. In addition to his duties as Secretary to the Taxation and Research Committee, Mr Noyes acted as Editor of *Accountancy* until January 1961 as an emergency measure following the death of Mr Little in August 1960.

Institute Staff Pensions Fund

168. Certain changes have been made in the rules of the Staff Pensions Fund, including the reorganization of the classes of membership in order to discontinue a class of membership for which the benefits had proved to be inadequate. All benefits are now related to salary in the closing years of service. The Institute's annual contribution continues unchanged at a rate of 14 per cent of salaries of all staff who are members of the fund. The accounts of the fund appear on pages 58 to 61[1].

Institute Building

169. The Council regrets that it is not yet able to announce its development plans to deal with the long-term problem of accommodation. Certain negotiations have proved more protracted than had been expected. The matter is receiving constant attention and a statement will be made as soon as possible.

Appreciation

170. The Council records its appreciation of the invaluable work done by members of the Institute who have given so much time to the work of the Taxation and Research Committee, the committees of the district societies, the summer courses, examinations and other activities on behalf of the Institute. The Council also records its appreciation of the work of the Secretary and staff.

Auditors

171. The auditors, Mr L. W. Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., retire under bye-law 115 and are eligible for reappointment. The auditors' fees fixed at the annual meeting on May 3rd, 1961, were 1,000 guineas, an amount which has remained unchanged since 1958. The Council considers that this amount is inadequate and recommends that members approve an increase to 1,250 guineas for 1961; accordingly that amount has been shown as a charge in the income and expenditure account for 1961. The Council also recommends that the resolution appointing auditors at the annual meeting on May 3rd, 1962, should specify 1,250 guineas as their audit fee.

PAUL F. GRANGER,

April 4th, 1962. *President.*

[1] Reproduced in this issue.

The Institute of Chartered Accountants in England and Wales

BALANCE SHEET, 31st DECEMBER 1961

1960 £	£		£	£	£	1960 £	£		£	£	£
		ACCUMULATED FUND						**FIXED ASSETS**			
301,547		Balance 31st December 1961 (page 49)			318,389			**Freehold Hall and Offices**			
							41,020	Land at cost		41,020	
							79,747	Building at cost 79,747			
							39,498	*less* Depreciation 40,718			
							40,249			39,029	
		PROVISION towards future expenditure on the Members'				*81,269*					80,0
10,000		Handbook (see note 1)			20,000	—		**Building Development Expenditure** ..			99,4
							2,052	**Lease** of 43 London Wall, E.C.2, at cost ..		2,052	
							456	*less* Amortisation		570	
						1,596					1,4
		CURRENT LIABILITIES						**Furniture, Fittings and Equipment** at			
	56,868	Creditors		73,209		*10,000*		written-down amount			10,0
		Amounts received in advance:				*4,500*		**Library** at written-down amount			4,5
	7,503	Subscriptions to *Accountancy* ..	8,427			*97,365*					195,5
	276	Sundries	593								
				9,020							
	—	Bank overdraft		20,771							
64,647					103,000						
						230,540		**INVESTMENTS** at cost (Schedule pages 50 and 51)			232,2
								(*£336,167*) Value at middle market prices £421,625			
		This balance sheet should be read in conjunction with the notes on page 48.									
						2,242		**ASSOCIATED INTERESTS** (Schedule page 49)			2,1
								CURRENT ASSETS			
		On behalf of the Council					*4,042*	Debtors		4,783	
		PAUL F. GRANGER					*4,512*	Payments in advance		5,128	
		President					*7,493*	Bank balance		1,579	
							30,000	*Deposits*			
						46,047					11,4
£376,194					**£441,389**	*£376,194*					**£441,3**

REPORT OF THE AUDITORS TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

We have examined the above balance sheet and annexed income and expenditure account which in our opinion respectively give a true and fair view of the state of the Institute's affairs as at 31st December 1961 and of its income and expenditure for the year ended on that date.

L. W. BINGHAM
LEONARD PELLS
Chartered Accountants

4th April 1962

BALANCE SHEET NOTES

These notes form an integral part of the balance sheet on [opposite] page.

(1) A total of £30,000 is being provided against the cost of the remaining sections of the Members' Handbook. £20,000 has so far been set aside and a further £10,000 will be set aside in 1962.

(2) The accounts of the Staff Pensions Fund, the benefits of which are based on salaries in the closing years of service, appear at pages 58 to 61. The Institute is under obligation to make annual contributions by way of percentage of salaries calculated from time to time by the actuary (at present 14 per cent) but subject to a maximum of 20 per cent and to the right of the Institute to close the fund and cease to contribute. Under rules previously in operation and now superseded the Institute was under obligation to maintain the solvency of the fund: 6 pensioners and 11 employees who were in the service of the Institute prior to 1947 and who were entitled, without reservation, to the benefits provided under those rules are therefore the subject of guarantees by the Institute to ensure that they will not be prejudiced by the new rules.

(3) A writ is outstanding against the Institute claiming damages for libel.

(4) The liquidation of The Society of Incorporated Accountants is not yet complete and the liquidators have retained a small balance against the remaining liabilities of the Society. If the balance retained by the liquidators proves inadequate, the Institute will make a refund out of the amounts already received from the liquidators.

ACCUMULATED FUND 31st DECEMBER 1961

1960			
£			£
274,961	Balance 31st December 1960	.. ..	301,5
	add		
24,729	Excess of income over expenditure for the year 1961		11,6
—	Surplus on realisation of an investment	.. ..	6,2
299,690			319,4
	less		
1,857(Receipts)	Net disbursements consequential upon the integration of the Society	.. ..	1,1
£301,547	Balance 31st December 1961	.. ..	£318,3

SCHEDULE OF ASSOCIATED INTERESTS 31st DECEMBER 1961

1960				
£	£		£	£
		SHARE CAPITAL		
	100	Chartered Accountants Trustees Limited ..	100	
	100	Society of Incorporated Accountants (1958) Limited	100	
	40	Society of Incorporated Accountants Limited (South Africa)	48	
	—	A.C.A. Limited	100	
	—	F.C.A. Limited	100	
240				4
		LOANS		
	100	Chartered Accountants Trustees Limited ..	50	
	1	Chartered Accountants Retirement Benefits Scheme (less provision)	1	
	1	Chartered Accountants Employees Superannuation Scheme (less provision) ..	1	
	1,500	Manchester Society of Chartered Accountants	1,200	
	400	Overseas Accountancy Examinations Advisory Board	400	
2,002				1,6
£2,242				£2,1

The Institute of Chartered Accountants in England and Wales

SCHEDULE OF INVESTMENTS, 31st DECEMBER 1961

1960 £		*Holding*	*Cost* £	£	*Middle market va* £	
9,237	**FIXED INTEREST**					
	3% Savings Bonds, 1955–65	£10,000		9,237		9,(
	VARIABLE DIVIDEND					
	Insurance companies and banks					
3,640	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares	2,750	3,640		9,213	
4,538	General Accident, Fire and Life Assurance Corpn. Ltd. Ordinary Stock	£1,500	4,538		26,100	
3,613	Legal and General Assurance Society Ltd. 5s. Shares	680	3,613		27,283	
9,432	Northern and Employers Assurance Co. Ltd. Ordinary £1 Shares ..	2,200	9,432		15,675	
3,078	Royal Insurance Co. Ltd. Ordinary Stock	£1,000	3,828		9,200	
3,940	Royal Bank of Canada $10 Shares of Capital Stock	200	3,940		5,800	
28,241				28,991		93,!
	Investment trusts					
3,033	Alliance Trust Ltd. Ordinary Stock	£1,400	3,033		18,200	
10,936	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares ..	10,000	10,936		11,125	
8,262	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares	19,200	8,262		13,440	
1,295	British Assets Trust Ltd. Ordinary 5s. Shares	8,000	1,295		13,300	
9,823	Cedar Investment Trust Ltd. Ordinary 5s. Shares	10,000	9,823		10,625	
9,531	City of London Brewery and Investment Trust Ltd. Deferred Stock ..	£3,500	9,531		13,300	
2,421	Continental Union Trust Ltd. Ordinary 5s. Shares	15,000	2,421		12,000	
4,350	Edinburgh and Dundee Investment Trust Ltd. Ordinary Stock ..	£2,200	4,350		15,400	
8,570	Edinburgh Investment Trust Ltd. Deferred Stock	£6,000	8,570		13,800	
11,511	Foreign and Colonial Investment Trust Co. Ltd. Ordinary 5s. Shares ..	28,400	11,511		20,768	
12,731	International Investment Trust Ltd. Ordinary 5s. Shares	10,000	12,731		14,500	
1,710	Investors Mortgage Security Co. Ltd. Ordinary Stock	£1,600	1,710		7,600	
10,068	Lake View Investment Trust Ltd. Ordinary 10s. Shares	4,400	10,868		12,210	
2,064	London and Clydesdale Trust Ltd. Ordinary 5s. Shares	9,600	2,664		8,880	
3,164	Scottish Mortgage and Trust Co. Ltd. Ordinary Stock	£1,400	3,164		9,450	
9,827	Second Scottish Investment Trust Co. Ltd. Ordinary Stock	£750	9,827		12,750	
10,444	Southern Stockholders Investment Trust Ltd. Stock	£4,000	10,444		12,900	
8,351	Sphere Investment Trust Ltd. Ordinary 5s. Shares	15,000	8,351		13,125	
8,447	Standard Trust Ltd. Ordinary Stock	£2,250	8,447		9,225	
8,304	Sterling Trust Ltd. Ordinary Stock	£4,000	8,304		11,100	
9,165	Trust Union Ltd. Ordinary 5s. Shares	12,000	9,165		9,900	
7,841	Trustees Corporation Ltd. Ordinary Stock	£1,375	8,466		9,892	
5,099	United States Debenture Corporation Ltd. Ordinary Stock	£3,200	5,099		10,880	
9,369	Witan Investment Co. Ltd. Ordinary 5s. Shares	15,000	9,369		12,563	
176,316				178,341		296,!
	Industrial					
2,463	*Ford Motor Co. Ltd. Ordinary Stock*					
2,289	British South Africa Company Registered Stock	£750	2,289		2,769	
2,175	Imperial Chemical Industries Ltd. Ordinary Stock	£1,600	2,470		4,500	
2,603	Shell Transport and Trading Co. Ltd. Ordinary 5s. Shares	3,840	2,003		5,808	
5,282	Stewarts and Lloyds Ltd. Ordinary £1 Shares	2,500	6,416		4,716	
1,934	Turner and Newall Ltd. Ordinary Stock	£1,600	1,934		4,578	
16,746				15,712		22,!
£230,540				£232,281		£421,!

The Institute of Chartered Accountants in England and Wales

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1961

1960		EXPENDITURE	£	£	1960	INCOME	£	
£	£				£			
		Establishment				**Admission Fees**		
	29,155	Rents and rates	29,026		*17,042*	1,689 at £10 10 0		17,
	644	Insurance	699					
	8,868	Housekeeping, fuel, lighting	9,707					
	2,254	Repairs to hall and offices	593		*224,714*	**Subscriptions** (Schedule page 56)		233,
	10,258	Furniture, fittings and equipment	3,529					
	1,220	Depreciation of building	1,220					
	114	Amortisation of lease	114		*93*	**Re-admission Fees**		
52,513				44,888	*241,849*	Total income from members		251,
		Administration			*—*	**Rents Receivable**		1,
	75,605	Salaries	94,723					
	9,775	Staff pensions fund—annual contribution	12,431					
	2,504	Library	3,559		*17,209*	**Income from Investments**		21,
	17,821	List of members—printing and distribution	18,802					
	15,989	Printing and stationery	15,585					
	7,702	Postage, carriage, telephone	7,182			**Sale of Publications**		
	4,928	Legal and other professional charges	7,499			Recommendations on Accounting Principles	872	
	1,050	Audit fees	1,313			Summer Course booklets	813	
	4,698	Sundries	5,351			'Standard Costing'	324	
140,072				166,445		Other publications	400	
					2,305			2,
		Travelling			*9,652*	**Exemption Fees—Preliminary Examination**		10,
	4,541	Members of the Council	5,195					
	1,687	Members of the Taxation and Research Committee	2,161					
	581	Delegates to meetings abroad	1,251					
6,809				8,607				
20,833		**Members' Handbook** (including provision of £10,000)		23,055				
3,879		**Publicity and Hospitality**		5,181				
13,896		**Grants to District Societies**		14,351				
1,160		**Summer Courses**		3,001				
1,229		*80th Anniversary Banquet*						
240,391		Carried forward		265,528	*271,015*	Carried forward		287,

The Institute of Chartered Accountants in England and Wales

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1961 (contd.)

1960		EXPENDITURE		
£	£		£	£
240,391		Brought forward		265,528
		Contributions under Covenant (see report, paragraph 155)		
	450	The Institute Prize Trust*	450	
	3,200	The Chartered Accountants General Charitable Trust*	3,200	
3,650				3,650
1,050		*The Leo T. Little Memorial Fund*		
—		**Ground-rents and interest payable** ..		378
5,088		**Income Tax**		7,310
		'Accountancy' Excess of direct expenditure over income for		
474		the year 1961		3,726
24,729		**Excess of Income over Expenditure** transferred to Accumulated Fund		11,678
		*The accounts of these trusts appear at pages 66 to 68 [reproduced in this issue].		
£275,382				£292,270

1960		INCOME	
£	£		£
271,015		Brought forward	287,
		Contribution by The Institute of Chartered Accountants of Scotland for facilities in	
	500	London	
		Contributions for Institute staff services	
	250	P. D. Leake Trust	250
	750	Chartered Accountants Retirement Benefits Schomo	750
	250	Chartered Accountants Employees Superannuation Scheme	250
	1,250		1,
		Examinations Account (page 57)	
2,617		Excess of examination fees over direct expenditure for the year 1961	3,
£275,382			£292,

The Institute Prize Trust

INCOME AND EXPENDITURE for the year ended 31st December 1961

1960			
£		£	£
450	Institute contribution under covenant		450
115	Income from investments and deposits, less irrecoverable income tax		123
565			573
	less Grants for examination prizes		
—	C. W. Boyce prize	7	
8	Morgan prizes	15	
18	Piggott prizes	18	
—	Charles M. Strachan prize	16	
80	Institute prizes	107	
106			163
£459	Excess of income over expenditure for the year ..		£410

The Chartered Accountants General Charitable Trust

INCOME AND EXPENDITURE for the year ended 31st December 1961

1960			
£		£	£
3,200	Institute contributions under covenant		3,
42	Income from investments and deposits, less irrecoverable income tax		—
3,242			3,
	less Grants		
1,150	Students' Societies	1,278	
552	Joint Tuition Committees	696	
59	Church of St. Margaret, Lothbury	58	
25	Professional Classes Aid Council	25	
53	London Chamber of Commerce for educational purposes	21	
1,839			2,
£1,403	Excess of income over expenditure for the year ..		£1,

Paragraph 155 of the report of the Council refers to the Institute's contributions to these trusts.

SUBSCRIPTIONS FOR THE YEAR ENDED 31st DECEMBER 1961

1960 £			£	£
		Members in Practice		
		Fellows		
32,130	2,550	2,605 at £12 12 0	32,823	
57,068	5,435	5,575 at £10 10 0	58,538	
719	73	65 at other rates	601	
		Associates		
7,140	680	679 at £10 10 0	7,129	
12,533	1,492	1,564 at £8 8 0	13,138	
910	145	194 at other rates	1,160	
		Incorporated Accountant Members		
105	10	11 at £10 10 0	115	
227	27	28 at £8 8 0	235	
110,832				113,739
		Members not in Practice		
		Fellows		
48,264	7,661	8,051 at £6 6 0	50,721	
89	18	33 at other rates	153	
		Associates		
44,588	8,493	9,100 at £5 5 0	47,775	
2,075	777	791 at other rates	2,146	
		Incorporated Accountant Members		
4,195	799	782 at £5 5 0	4,106	
39	15	22 at other rates	58	
99,250				104,959
		Members not resident in England or Wales		
		Fellows		
6,644	1,582	1,656 at £4 4 0	6,955	
15	4	2 at other rates	4	
		Associates		
4,268	1,355	1,371 at £3 3 0	4,319	
27	18	25 at other rates	39	
		Incorporated Accountant Members		
1,145	545	571 at £2 2 0	1,199	
391	372	362 at £1 1 0	380	
6	12	13 at other rates	7	
12,496				12,903
		Reduced subscriptions: bye-law 43		
		Retired Members		
1,288	1,227	1,336 at £1 1 0	1,403	
		Members on national service		
848	808	645 at £1 1 0	677	
2,136				2,080
£224,714		Total carried to Income and Expenditure Account		£233,681

EXAMINATIONS ACCOUNT MAY AND NOVEMBER 1961

1960 £		INCOME		£	£
		Institute examinations:			
2,008	478	Preliminary	433 at £5 5 0 ..		2,27
21,966	4,184	Intermediate	4,048 at £6 6 0 ..		25,50
21,991	2,992	Final	3,195 at £8 8 0 ..		26,83
		Society examinations:			
		Final			
1,684	401	Part I or II	186 at £4 4 0 ..		78
44	6	Parts I and II	7 at £8 8 0 ..		5
		South African Special Final			
265	42		26 at £6 6 0 ..		16
47,958					55,61

DIRECT EXPENDITURE

		Fees of Examiners, Moderators and Invigilators	30,516	36,048
		Hire of Rooms	4,840	5,585
		Printing and stationery	7,079	7,312
		Publicity	329	386
		Sundries	3,375	3,569
			46,139	52,900
		less Contributions by		
	132	The Institute of Chartered Accountants of Scotland		65
	666	The Institute of Chartered Accountants in Ireland		724
	798			789
45,341				52,11
	106	**Prizes**		163
		less Grant from The Institute Prize		
	106	Trust		163
—				—
£2,617		**Balance** transferred to Income and Expenditure Account		£3,50

NOTE.—The expenditure charged in this account does not include any charge in respect of the substantial amount of time which the Institute's staff devotes to examination work or in respect of the use of the Institute's premises.

The Institute of Chartered Accountants Staff Pensions Fund

BALANCE SHEET, 31st DECEMBER 1961

1960 £		£	£	*1960* £		£	£
	Accumulated Fund			*149,017*	**Investments** at cost (Schedule pages 60 and 61) ..		**187,45**
137,647	Balance 31st December 1960		**151,162**	*(£224,848)*	Value at middle market prices £290,779		
9,775	Annual contribution by the Institute for 1961 ..	12,431			**Current Assets**		
6,967	Investment and deposit income, less irrecoverable income tax	8,186			Amount recoverable from the Institute	1,021	
—	Surplus on realisation of investments	26,566			Recoverable income tax	481	
			47,183		Bank balances	2,323	
154,389			**198,345**	*2,145*			**3,82**
	less						
—	Lump sums on death	4,000					
3,017	Pensions	3,070					
210	*Refunds of contributions on withdrawal (former Society employees)*						
3,227		—	**7,070**				
151,162			**191,275**				

NOTE.—The annual contribution made by the Institute for 1961 was at the rate of 14 per cent of salaries. The benefits are based on salaries in the closing years of service and the Institute has the right to close the fund. An actuarial valuation as on 31st December 1959, made on the basis that the annual contributions would continue at 14 per cent, showed a surplus of £32,012, after including £5,854 due from the Institute in respect of a special contribution. On the recommendation of the actuary the surplus was then reduced to £26,158 by treating £5,854 as a payment in satisfaction of the above mentioned special contribution. In view of this surplus the actuary agreed that no payment by the Institute was necessary in respect of special contributions of £10,410 which became due from the Institute in 1961. The next normal valuation date is 31st December 1964.

On behalf of Chartered Accountants Trustees Limited as trustee

S. H. GILLETT
DOUGLAS A. CLARKE } *Directors*

£151,162		**£191,275**	*£151,162*		**£191,27**

REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

We have examined the above balance sheet which in our opinion gives a true and fair view of the state of affairs of the Staff Pensions Fund as at 31st December 1961 and of its transactions for the year ended on that date.

L. W. BINGHAM
LEONARD PELLS
Chartered Accountants

4th April 1962

The Institute of Chartered Accountants Staff Pensions Fund

SCHEDULE OF INVESTMENTS, 31st DECEMBER 1961

1960 £		*Holding*	*Cost* £	£	*Middle market va* £	£
	FIXED INTEREST					
2,996	3½% *Funding Stock, 1999–2004*					
4,675	*British Transport 4% Stock, 1972–77*					
21,934	British Gas 4% Stock, 1969–72	£22,000		21,934		18,6
29,605						
	VARIABLE DIVIDEND					
	Insurance Companies					
6,038	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares	3,000	6,088		10,050	
6,192	Eagle Star Insurance Co. Ltd. Ordinary 10s. Shares	3,500	7,942		20,697	
3,817	Guardian Assurance Co. Ltd. Ordinary 5s. Shares	3,600	4,417		9,360	
4,525	Prudential Assurance Co. Ltd. 'A' 4s. Shares	500	4,525		12,875	
—	Royal Exchange Assurance Stock	£2,000	12,153		10,937	
20,622				35,125		63,9
	Investment trusts					
3,307	*Embankment Trust Ltd. Ordinary Stock*					
8,824	*Great Northern Investment Trust Ltd. Ordinary Stock*					
4,956	American Trust Co. Ltd. Ordinary 5s. Shares	7,400	4,956		11,563	
6,046	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares ..	8,000	6,046		8,900	
5,250	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares	24,000	5,250		16,800	
—	British Assets Trust Ltd. Ordinary 5s. Shares	8,000	10,741		13,300	
4,037	Continental Union Trust Ltd. Ordinary 5s. Shares	20,000	10,949		16,000	
12,910	Foreign and Colonial Investment Trust Co. Ltd. Ordinary 5s. Shares ..	20,000	12,910		14,625	
5,428	Guardian Investment Trust Co. Ltd. Ordinary 5s. Shares	22,500	9,283		15,187	
7,800	Industrial and General Trust Ltd. Ordinary 5s. Shares	9,000	7,800		18,450	
—	International Investment Trust Ltd. Ordinary 5s. Shares	10,000	16,630		14,500	
7,563	Investment Trust Corporation Ltd. Ordinary 5s. Shares	8,250	7,563		15,469	
4,411	London Trust Co. Ltd. Deferred Stock	£1,500	4,411		7,950	
5,574	Rio Claro Investment Trust Ltd. Ordinary Stock	£3,750	5,574		12,000	
—	Second British Assets Trust Ltd. Ordinary 5s. Shares	5,000	5,565		5,625	
—	Second Industrial Trust Ltd. Ordinary 5s. Shares	4,000	4,961		6,000	
6,311	Trust Union Ltd. Ordinary 5s. Shares	16,000	6,311		13,200	
82,417				118,950		189,6
	Industrial					
5,513	*Shell Transport and Trading Co. Ltd. Ordinary Stock*					
5,245	Great Universal Stores Ltd. 'A' Ordinary Stock	£825	5,245		9,138	
5,615	Imperial Chemical Industries Ltd. Ordinary Stock	£3,400	6,196		9,563	
16,373				11,441		18,7
£149,017				£187,450		£290,7

The Institute of Chartered Accountants in England and Wales

PRIZE AND SCHOLARSHIP TRUSTS, 31st DECEMBER 1961

PRIZE FUND	INVESTMENTS	Holding	Cost Capital	Cost Income	Balance 31st December 1960	INCOME ACCOUNTS FOR 1961 Receipts	Payments	Balance 31st December 1961
			£	£	£	£	£	£
Robert Fletcher ..	Manchester Corporation 4% Consolidated Stock	£1,115	1,056					
		£32		31	38	46	52	32
Deloitte	Blackburn Corporation 3½% Irredeemable Stk.	£1,700	1,427					
		£200		164	241	67	53	255
William Quilter ..	Manchester Corporation 4% Consolidated Stock	£262	213		5	10	10	5
Frederick Whinney	Bristol Corporation 3½% Debenture Stock	£1,080	900		19	38	38	19
Walter Knox ..	Manchester Corporation 4% Consolidated Stock	£695	659		14	28	28	14
Theodore Gregory Stephens	Manchester Corporation 4% Consolidated Stock	£490	464		20	20	20	20
	Bristol Corporation 3½% Debenture Stock	£2,630	2,190					
		£40		31	65	93	87	71
West	Manchester Corporation 4% Consolidated Stock	£355	336		7	14	14	7
W. B. Peat ..	Manchester Corporation 4% Consolidated Stock	£1,810	1,709					
	Bristol Corporation 3½% Debenture Stock	£400	334					
			2,043		43	86	86	43
O. C. Railton ..	Manchester Corporation 4% Consolidated Stock	£94	89		4	4	4	4
Roger N. Carter ..	Manchester Corporation 4% Consolidated Stock	£578	547		11	23	23	11
Plender	Manchester Corporation 4% Consolidated Stock	£2,290	2,169		47	91	91	47
Tom Walton ..	Manchester Corporation 4% Consolidated Stock	£440	418		9	18	18	9
Fl./Lieut. Dudley Hewitt, D.F.C.	Treasury 2½% Stock ..	£400	270†		5	10	10	5
	Value at middle market prices £133 (*1960 £155*)			£226	£528	£548	£534	£542
W. B. Peat Memorial Scholarship ..	Bristol Corporation 3½% Debenture Stock	£2,877	2,396					
	Hull Corporation 3½% Stock, second issue	£2,721	2,282					
			4,678					
	Value at middle market prices £10,008 (*1960 £11,630*)		£17,459					

Represented by:	£
Investments ..	226
Recoverable income tax	93
Bank balance ..	223
	£542

† At value when received.

On behalf of the Council of the Institute as trustee
PAUL F. GRANGER
President

Note: W. B. Peat Memorial Scholarship Fund.
The Chartered Accountants Benevolent Association receives the income of this fund for educational purposes in accordance with the terms of the trust and publishes an annual account of its application.

REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

We have examined the above statement which in our opinion gives a true and fair view of the state of the Trusts as at 31st December 1961 and of their transactions on income account for the year ended on that date.

L. W. BINGHAM
LEONARD PELLS
Chartered Accountants

4th April 1962

London Chartered Accountants' 'Big Game'

Over 140 chartered accountants – of whom some two-thirds came from industry and commerce – assembled at New College, Oxford, on Thursday of last week for the London and District Society's conference on 'Information for Management'. The conference was notable for two innovations – the biggest and most advanced management decisions game yet to be played in Britain; and a paper by a Dutch accountant of international repute.

The conference opened on Thursday afternoon with introductory speeches by Mr P. F. Carpenter, F.C.A., Vice-President of the Institute, and Mr B. A. Maynard, M.A., F.C.A., the conference chairman, after which a paper on 'Improving management accounting in the small business' was given by Mr N. R. Bellwood, F.C.A., director of funds and general division, British Transport Commission.

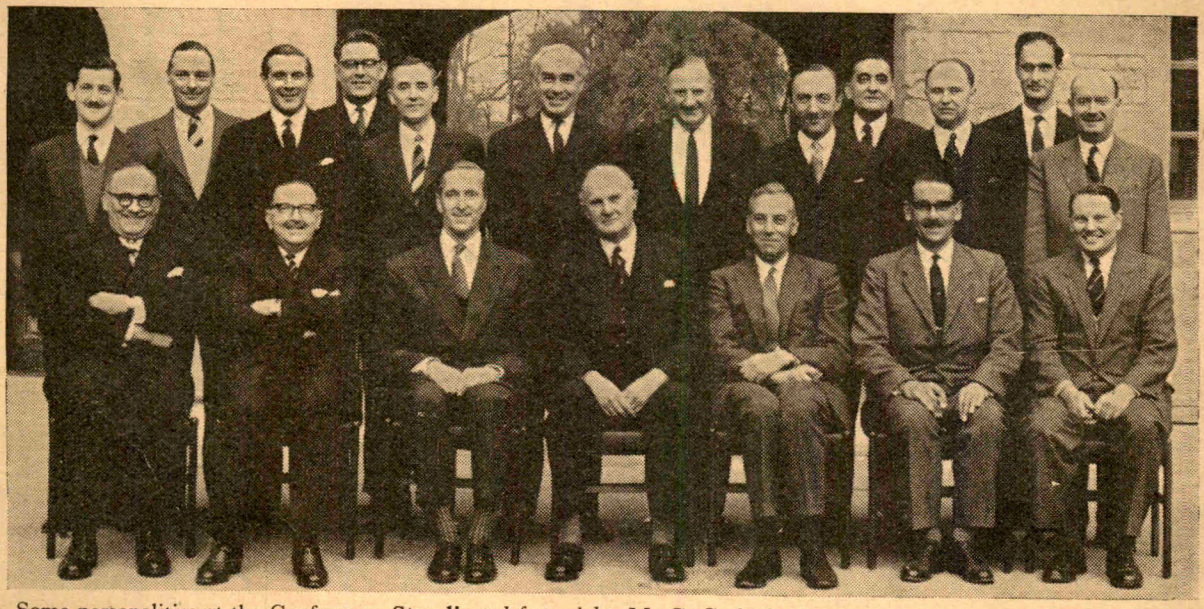
Then, at 8.45 p.m., members were introduced to the rules of the management game and the fourteen discussion group leaders found themselves transformed into company chairmen with the task of welding eight other accountants into an effective management team within a few hours. The challenge was accepted with enthusiasm. The decisions for the first quarter were made between 10 p.m. and 11.30 p.m., the results being telephoned to the computer centre in London by midnight so that the accounts and statistics for the quarter were available in Oxford for the second round, played at midday on Friday. But few of the 'boards of directors' closed their meetings at 11.30 p.m. and it seemed at that stage that one and a half hours was an impossibly short time in which to deal with a quarter's business.

Although the programme provided for only four hours to be spent on the decisions of the three quarters which were made at Oxford, it is unlikely that any of the fourteen 'companies' spent less than seven hours on the game during this period; at least half of the 'boardrooms' were in use throughout Friday afternoon during what was intended to be the only free time of the conference. Certainly, there is no doubt that the game gripped members from the beginning, as the Vice-President must have realized when he found on Thursday evening that no 'company' was ready to be visited until after 11.30 p.m. when the first decisions were handed in.

On Friday morning the conference had listened to a paper on 'Long-term planning' by Professor A. Goudeket, chief internal auditor of the Philips Group in Holland. This was not only a stimulating lecture in itself, but one which was of immediate interest to the boards of the companies which were even then struggling to develop longer term policies for the game.

On Saturday, breakfast was taken early in order to establish the companies in their mobile boardrooms in private carriages on the 8.52 train to London. Here they received the accounts based on the decisions handed in at 10.30 p.m. the previous evening and they occupied the journey deliberating on their decisions for the fourth quarter.

The conference duly arrived at the computer centre in Newman Street and the boards were in action again



Some personalities at the Conference. **Standing,** *left to right:* Mr G. C. Anderson, B.A., A.C.A., *Deputy Secretary of the Society*; Messrs F. W. English, F.C.A., N. Cassleton Elliott, M.A., F.C.A., K. P. Bennett, F.C.A., A. R. Bird, A.C.A., J. S. Harrower, F.C.A., W. S. Hayes, F.C.A., F. C. de Paula, T.D., F.C.A., B. J. M. Boys, F.C.A., R. C. Pulley, F.C.A., G. S. Warburg, F.C.A., W. R. Middleton, M.B.E., B.A., F.C.A., *Group Leaders.*

Seated, *left to right:* Mr G. R. Appleyard, F.C.A., *Group Leader*; Mr N. R. Bellwood, F.C.A., *Speaker*; Mr B. A. Maynard, M.A., F.C.A., *Conference Chairman*; Mr P. F. Carpenter, F.C.A., *Vice-President of the Institute*; Mr G. F. Ansell, F.C.A., *Chairman of the Society*; Mr P. D. Irons, B.COM., F.C.A., *Group Leader*; Mr J. W. G. Cocke, T.D., M.A., F.C.A., *Secretary of the Society.*

Charitable trust funds administered by Chartered Accountants Charities Limited

BALANCE SHEET, 31st DECEMBER 1961

1960 £		£	£
	The Institute Prize Trust Fund		
	Balance 31st December 1960	3,265	
	add		
	Donation for C. W. Boyce prize (see report, paragraph 56)	250	
	Donation for Charles M. Strachan prize (see report, paragraph 57)	472	
	Surplus on sale of investment	4	
	Excess of income over expenditure for the year ..	410	
3,265			**4,401**
	The Chartered Accountants General Charitable Trust Fund		
	Balance 31st December 1960	2,789	
	add Excess of income over expenditure for the year	1,207	
2,788			**3,996**
	On behalf of Chartered Accountants Charities Limited as trustee		
	S. H. GILLETT DOUGLAS A. CLARKE } *Directors*		
£6,053			**£8,397**

1960 £		*The Institute Prize Trust* £	*The Chartered Accountants General Charitable Trust* £
	Investments at cost or value when received in trust:		
	Prudential Assurance Co. Ltd. 120 4s. 'A' Shares	1,286	145
	£900 Hull Corporation 3½% Irredeemable Stock, first issue	472	
	3,000 Cardinal Investment Trust Ltd. Deferred 5s. Shares	2,317	
		4,075	145
1,431 (*£2,100*)	Value at middle market prices £5,814		
	Net Current Assets		
	Recoverable income tax	197	701
	Bank balances	221	3,150
		418	3,851
	less Creditors	92	
4,622		326	3,851
		£4,401	£3,996
£6,053			

REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

We have examined the above balance sheet and annexed statements of income and expenditure which in our opinion give a true and fair view of the state of affairs as at 31st December 1961 and of the income and expenditure for the year ended on that date of the trusts administered by Chartered Accountants Charities Limited.

L. W. BINGHAM
LEONARD PELLS
Chartered Accountants

4th April 1962

by 10.45 a.m. Between then and 5 p.m., with no breaks of any kind, the companies dealt with a further nine quarters, in addition to sending representatives to sales and production conferences. This was only possible because the companies had now become highly efficient decision-making machines, producing accurate forecasts which often required only slight modification when the results of the previous quarter became available, and experimenting widely in methods of delegation, charting, statistics and alternative policies.

At the concluding review sessions it was apparent that, in addition to having enjoyed the exercise, members felt that the game had been a valuable experience. Mr Maynard may, however, have been attributing rather too much to the realism of the game when he suggested that members looked exactly three and a quarter years older than when it started.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS NEVILL, HOVEY, GARDNER & CO, Chartered Accountants, of 94 Old Broad Street, London EC2, announce that Mr G. W. GUMBRELL, A.C.A., was admitted into partnership on April 6th, 1962.

MESSRS MORRIS, GREGORY & CO, Chartered Accountants, of 3 York Street, Manchester 2, announce that Mr A. D. COTTON, B.A., A.C.A., and Mr G. W. MILLS, A.C.A., have been taken into partnership. The name of the firm will remain unchanged.

MESSRS J. A. KINNEAR & CO, of 1/2 Leinster Street South, Dublin 1, announce that Mr RONALD GORHAM WALSH, A.C.A., and Mr PAUL JOHN MCCLEARY, A.C.A., have been admitted to the partnership, with effect from April 2nd, 1962. They further announce that Mr ROBERT T. POOLE, F.C.A., has retired from the partnership as from March 31st, 1962.

MESSRS WHITAKER, REDFEARN, PAPPIN & CO, Newquay, announce that Mr H. T. DARLINGTON, A.C.A., who has been with the firm for some time, has been admitted to partnership.

MESSRS CRAIG, GARDNER, & CO, Chartered Accountants, of Dublin and Belfast, announce that as from April 6th, they have admitted to partnership Mr NOEL MACMAHON, B.COM., A.C.A., who has been a member of their staff for some years.

MESSRS LUCRAFT, HODGSON & CO (G. R. LUCRAFT, T.D., F.C.A., and T. T. HODGSON, F.C.A.), of 131 Preston Road, Brighton 6, Sussex, announce that they have acquired as from April 1st, 1962, the practice of L. GORDON GEE, F.C.A., F.A.C.C.A., and D. SOUTHGATE, A.A.C.C.A., practising as W. H. ROBERTS GEE & CO (incorporating SAY & WILLIAMS) of 19 Gildredge Road, Eastbourne, Sussex, and will practise at that address under the style of LUCRAFT, HODGSON & CO (incorporating SAY & WILLIAMS). The practice of W. H. ROBERTS GEE & CO, at 1 Broad Street Place, London EC2, continues to be carried on as hitherto.

MESSRS G. E. HOLT & SON, Chartered Accountants, of 10 Dale Street, Liverpool 2, and Victoria House, Southampton Row, London WC1, announce that on April 1st, 1962, Mr I. R. HENDERSON, B.SC.(ECON.), A.C.A., who served his articles with the firm, was admitted to partnership. The name of the firm remains unchanged.

MESSRS H. H. SHERWOOD & CO, Chartered Accountants, of Birmingham, announce that they have taken into partnership Mr RICHARD ANTHONY SQUIRES, A.C.A., who has been a member of the staff for the last twelve years. The style of the firm will remain unchanged.

Appointments

Mr Robert G. Beldam, M.A., F.C.A., M.I.MAR.E., has been appointed chairman of the London and South Eastern Regional Council of the Federation of British Industries.

Mr A. V. Endsor, M.A., A.C.A., secretary and accountant of Ready Mixed Concrete Ltd, has been appointed to the board.

Mr Brian John Gillespie, B.A., A.C.A., has become a partner of Sherlock and Edmenson, stock and share brokers, Newcastle.

Mr R. Grimshaw, F.C.A., has been appointed vice-chairman and a joint managing director of Spirella Company of Great Britain Ltd.

Mr John Edgar Grove, F.C.A., has been appointed a director of William Iszard Ltd.

Mr W. A. Hildreth, F.C.A., secretary of Associated Motor Cycles Ltd, has been elected a director of the company.

Mr W. Lambert, A.C.A., has been appointed chief accountant of A. V. Roe & Co Ltd.

INSTITUTE'S 'SMALL PRACTITIONER' INQUIRY

The 'Small Practitioner' inquiry inaugurated by the President of The Institute of Chartered Accountants in England and Wales last October has attracted interest throughout the profession. Meetings have been held under the auspices of the district societies, memoranda have been submitted to the Institute, and we have it on the authority of the President that considerable progress has been made. While the inquiry is proceeding the President has asked us to publish the following letter which he has sent to the presidents of the district societies together with the accompanying 'progress report':

To Presidents,

THE SMALL PRACTITIONER

I enclose a note on the present position of the small practitioner inquiry which you are at liberty to distribute if you wish.

I have forwarded a copy of this letter and of the note to *Accountancy* and *The Accountant*.

Yours sincerely,
P. F. GRANGER.
President.

On October 10th, 1961, the President of the Institute wrote to the presidents of district societies asking for their assistance in an inquiry into the problems and difficulties of

the small practitioner. The President's letter was reproduced in *Accountancy* of October 1961 and in *The Accountant* of October 21st, 1961.

With his letter was enclosed a form of questionnaire which, it was thought, covered most of the problems which the small practitioner might wish the Council to examine and on which he might wish to propose remedies. District societies were invited, with the assistance of their branches and groups, to give members the fullest opportunities to express their views, both by the distribution of the questionnaire and by arranging to call meetings at suitable centres.

Presidents of district societies were asked to complete their inquiries by the end of February 1962, and their replies have now been received and are under consideration. More than seventy meetings have been held with a total attendance of some 2,000 members and the returned questionnaires represent the views of about 2,000 practitioners. The number and nature of the submissions made have shown clearly the great interest which the inquiry has aroused among members. The Council is recording in its annual report for 1961 [reproduced in this issue] the contribution which has been made by presidents and other officers of district societies in undertaking the considerable amount of work which the inquiry has involved. No less appreciation is due to members for the care taken in submitting their representations.

Amongst many problems raised were those of fees, competition, registration, publicity, staffing, recruitment of articled clerks, and relations with the Inland Revenue and with members of other professions. Of particular significance perhaps is the willingness shown by members in answer to question 1 to give information on fees, remuneration, salaries and costs. There is a strong feeling that detailed particulars of these matters should be obtained at an early date through a survey to be undertaken by the Institute on an anonymous basis and that the information should then be summarized under various heads and circulated to practising members. Not only would the information be valuable in itself but it would contribute towards a better appreciation of many of the other problems raised in the inquiry. The President has already been in communication with the presidents of district societies on the further steps which might be taken.

The inquiry which has already been undertaken was not designed to be in a form to permit statistical analysis but to obtain information about those matters on which small practitioners felt most strongly. There is no doubt that this preliminary purpose has been achieved. The District Societies Committee is now undertaking a detailed examination of the problems raised.

TAXATION AND RESEARCH COMMITTEE

The one hundred and twentieth meeting of the Taxation and Research Committee of the Institute was held on Thursday, April 12th, 1962, at 2 p.m.

Present: Mr J. Cartner (in the chair); Messrs F. W. Allaway, G. L. Aspell, R. D. R. Bateman, M.B.E., C. J. M. Bennett, R. P. Brown, K. A. Buxton, W. R. Carter, R. A. Chermside, L. H. Clark, S. M. Duncan, E. S. Foden, R. W. Foad, C. R. P. Goodwin, J. S. F. Hill, G. N. Hunter, H. Kirton, T.D., S. Kitchen, J. W. Margetts, A. G. Martin, S. A. Middleton, G. P. Morgan-Jones, E. J. Newman, R. D. Pearce, L. Pells, T. B. Pritchard, J. D. Reekie, D. W. Robertson, H. Robinson, C. Romer-Lee, E. C. Sayers, H. G. Sergeant, H. C. Shaw, W. Shuttleworth, H. Eden Smith, D. E. T. Tanfield, C. C. Taylor (37 members) with Messrs H. G. Powys Greenwood and G. H. Vieler with the Assistant Secretaries to the Committee.

Mr A. G. Thomas, F.C.A.

The congratulations of the Committee were offered to Mr A. G. Thomas on his election to the Council of the Institute.

Membership

The Chairman extended a warm welcome to Mr R. W. Foad who was attending a meeting of the Committee for the first time.

It was reported that Mr A. G. Thomas had, on his election to the Council of the Institute, tendered his resignation from the Committee. It was agreed that a letter should be sent to Mr Thomas expressing the Committee's appreciation for his services in the past.

Sub-Committees

Reports of progress were received from seventeen sub-committees and two new sub-committees were appointed.

Future Meetings

The one hundred and twenty-first meeting of the Committee will be held on Thursday, June 14th, 1962, and the following dates have been provisionally fixed for further meetings in 1962:

Thursday, September 13th, 1962.
" October 11th, 1962.
" December 13th, 1962.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Midland Regional Cost Conference

Nearly two hundred delegates attended the Midland Regional Cost Conference held last Saturday by The Institute of Cost and Works Accountants at Birmingham University. The conference was opened by Mr F. M. W. Hird, F.C.A., F.C.W.A., President of the Institute. Papers were presented on: 'The management accountant and capital expenditure', by Mr A. Kenyon, B.COM., F.C.W.A., F.A.C.C.A., A.C.I.S., and 'Keys to cost reduction', by Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S.

Major capital expenditure proposals must be subjected to very careful investigation before the expenditure was sanctioned, said Mr Kenyon. Once one had become committed to a sizeable portion of the expenditure, control was very largely an illusion.

Dr Risk, in his paper, stated that continuous effort was necessary to reduce costs and thereby to improve the return on investment. There were certain basic cost reduction techniques which were of so fundamental a nature that they were applicable in practically all organizations but too often only some of these techniques were applied.

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PERSONNEL SELECTION

At a recent meeting of The Dublin Society of Chartered Accountants two papers were presented on the selection of personnel by Dr J. R. M. Nolan, M.A., of the Department of Psychology, University College, Dublin, and Mr Colm Barnes, President of the Federation of Irish Industries.

Both Dr Nolan and Mr Barnes made the fundamental point that the selection of good personnel was of extreme importance to any organization. They maintained that here was the greatest scope for the development of an organization and any methods that would contribute towards the placing of the right man in the right job, such as psychological tests, were worth while. Tests were not infallible, however, they only indicated probability. It was much easier to specify existing requirements for jobs at lower grades than for senior and executive posts; the usefulness of tests was highest at the lowest level. It was agreed that their usage could create difficulties of morale in an organization, and while they might legitimately be used to measure ability, it should be remembered that tests were no substitute for personal judgment.

LIVERPOOL CHARTERED ACCOUNTANT STUDENTS' ASSOCIATION

At the seventy-ninth annual general meeting of the Liverpool Chartered Accountant Students' Association, held on March 28th, the following officers were elected for the year 1962–63:

President: Mr G. English, F.C.A.
Vice-Presidents: Messrs F. D. M. Lowry, A.C.A., M. S. Moon, A.C.A., K. R. Mackenzie, F.C.A.
Hon. Treasurer: Mr E. Bradshaw.
Hon. Secretary: Mr P. R. Deyes, B.COM., The Library, 5 Fenwick Street, Liverpool 2.
Hon. Auditors: Messrs W. A. Bates, A.C.A., D. K. Adams, B.COM., A.C.A.

OXFORD CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The annual report of the Oxford Chartered Accountants' Students' Society presented at the Society's thirteenth annual meeting on March 22nd records a total membership of 113 – a decrease over the year of five members. Seven lecture meetings were held during 1961, the attendances ranging between fifty-four at the first meeting of the year and only nineteen members at one of the later meetings. In addition, pre-examination courses were held before each of the Institute's examinations for both Intermediate and Final examination candidates.

Members were again invited to attend the London Chartered Accountants' Students' Society's autumn residential course at Balliol and Trinity Colleges but there was a disappointing response, few members availing themselves of the offer. Two afternoon tea meetings were held for newly-articled clerks, one in March and one in November, when the President and other officers spoke on the work and objects of the Society.

The following officers were elected to serve for the ensuing year.

President: Mr S. E. Clark, M.A., F.C.A.
Vice-President: Mr R. H. Langdon-Davies, D.F.C., F.C.A.
Hon. Secretary: Mr C. P. Burton, c/o Thornton Baker & Co, 8 King Edward Street, Oxford.
Hon. Assistant Secretary: Mr J. R. H. Starmer-Smith.
Hon. Treasurer: Mr C. M. Alexander.
Hon. Librarian: Mr P. T. Venables.
Committee: Messrs O. B. T. Bennett, F.C.A.; J. Thornton, F.C.A.; J. A. C. Offer; J. D. Andrewes; A. E. Woodward; J. Temple.
Hon. Auditors: Mr G. B. Watson, F.C.A.; and Mr I. R. Peedell.

THE WEST WALES CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The annual report for 1961 of The West Wales Chartered Accountant Students' Society, presented at the Society's twenty-second annual meeting held on March 14th, records that membership at the year end totalled 180 (comprising fifty-six honorary members and 124 ordinary members).

Average attendances at lectures increased for the second consecutive year to over forty students per lecture. A comprehensive series of lectures relating to the examination syllabus was held as well as two pre-examination courses. At sport, association football, rugby, cricket, golf and table tennis matches were played in which forty-three members represented the Society. The report adds, however, that response by members to take part could have been higher. Disappointment is expressed at the lack of support given to two dances held in May and December.

The following officers and committee have been appointed for the ensuing year:

President: Mr George E. Gibbs, J.P., F.C.A.
Vice-President: Mr J. G. Powell, F.C.A.
Hon. General Secretary: Mr P. M. Vaughan, c/o Francis, Williams & Vaughan, 12 Christina Street, Swansea.
Hon. Treasurer: Mr P. Sykes.
Hon. Lecture Secretary: Mr J. G. Martin Davies.
Hon. Sports Secretary: Mr J. Howard Thomas, B.SC.
Hon. Auditor: Mr F. C. Rudd, A.C.A.
Committee: Messrs Gwyn Bowen, A.C.A.; R. Gibb, F.C.A.; R. S. C. Solomon, A.C.A.; V. A. Davies (Miss), D. A. R. Day; N. D. Grieve; Gerald Rees; R. A. Smart; K. D. Vincent, and J. G. R. Williams.

MANAGEMENT COURSES

Two two-day courses on 'Company control' and 'Marginal costing' will be held in London from May 8th–9th and May 17th–18th respectively. They are to

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be repeated in Manchester from June 5th–6th and June 19th–20th. The former aims to provide a comprehensive and co-ordinated scheme for the control of a company's affairs whilst the second will take the form of a critical examination of marginal costing.

'Cost reduction' and 'Stock control and reduction' are the titles of two one-day courses which will take place in London on May 15th and 16th respectively. They are also to be held in Manchester on June 27th and 28th. The first course is designed to provide a procedure for examining any business to show where cost reduction is needed, and the tools available for management for use in reducing costs. The second sets out to analyse the problem and to show methods of reducing stocks and controlling future holdings.

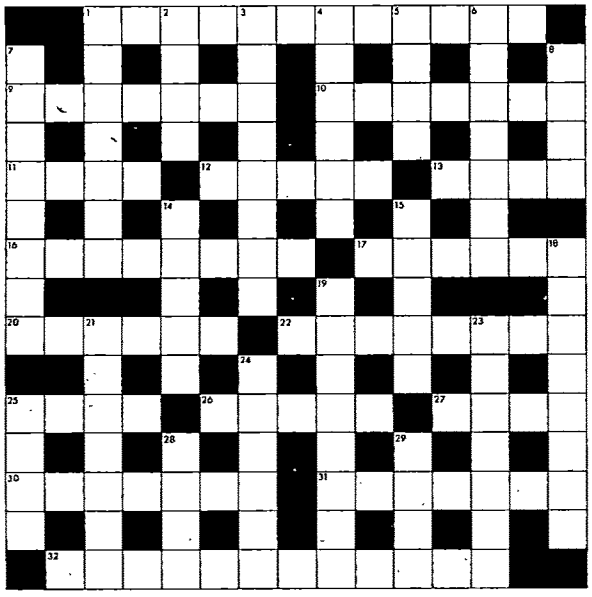
Further details regarding the courses are obtainable from Management Courses Ltd, 8 St George's Terrace, London NW1.

O.E.C.D. ECONOMIC SURVEY

A further booklet in the 1962 series containing an economic survey of the Republic of Ireland has recently been published by the Organization for Economic Co-operation and Development. Copies of the booklet are obtainable from H.M. Stationery Office, price 3s.

HOLIDAY CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



CLUES ACROSS

1. It indicates an overdraft, i.e. Table B and C redrafted (5, 7).
9. See 17.
10. Each changed for each of lower value (7).
11. Coin featuring in certain types of currency (4).
12. A company and its subsidiaries go about eighty up (5).
13. Suspension of legal proceeding put in to last a year (4).
16. Charged additionally (8).
17. and 9. Section 117, Income Tax Act, 1952, provides that tax under Schedule C shall be charged in respect of all profits arising from ——— ——— dividends payable in the U.K. (6, 7).
20. He's after 100,000 rupees, causing undue delay (6).
22. Short column ruled badly in a fraud (8).
25. See! – an alternative word for 25 down (4).
26. A coin, sometimes of eight (5).
27. This chip is gilt-edged, however (4).
30. Nought (7).
31. Proof of will (7).
32. To survey customs giving information about companies (12).

CLUES DOWN

1. He leaves realty, so drive carelessly (7).
2. Shallow monetary institution (4).
3. There is nothing unusual in systems for those not in practice (8).
4. . . . that that benefit will ——— only on retirement . . . (section 388, Income Tax Act, 1952) (6).
5. Justify in law the first part of the average clause (4).
6. The distinction between this and 9 does not normally arise in pension fund accounts (Recommendation *re* Retirement Benefits) (7).
7. It may be the basis of an insurance contract or a marriage settlement (8).
8. System of weights for gold and silver – a conservative mixture (4).
14. Be all upset making a codicil (5).
15. They speculate for a rise (5).
18. Being in a fix, bought up the whole of a commodity (8).
19. It secures an equable division among children (8).
21. An important one was granted on May 11th, 1880 (7).
23. Puppet Roman art coins (7).
24. . . . or if the sites are managed as a ——— unit. (Section 2 (7), Finance Act, 1961) (6).
25. Hire out some of one's slender resources (4).
28. In *Calvert v. Wainwright* (1947) they were held to be assessable (4).
29. An adjusted loss in Peruvian monetary units (4).

The solution will be published in next week's issue.

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THE
ACCOUNTANT
ESTABLISHED 1874
APRIL 28TH, 1962 VOL. CXLVI. NO. 4558

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The Recognized Weekly Organ for Chartered Accountants and Accountancy throughout the World

CONTENTS

	Page
Tax on Short-term Gains	521
Revenue Back Duty Reverse	523
The Association's Affairs	524
Company Law Reform in Germany by *R. J. Niehus, Wirtschafts-prüfer, Düsseldorf*	525
Points on Take-over Procedure (*Contributed*)	527
Management Decisions Games by *Brian A. Maynard, M.A., F.C.W.A.*	530
Weekly Notes	537
This is My Life . . . by *An Industrious Accountant*	539
Finance and Commerce Grampian Holdings Ltd – City Notes – Rates and Prices	540
Correspondence The Training of Accountants – Deposit Account Interest – Commencement and Cessation – Assessment Query – How to Decimalize the Currency	543
Taxation Cases Monthly Salaries Loan Co Ltd *v.* Furlong – Wellington *v.* Reynolds – Jamieson *v.* C.I.R. Wills *v.* C.I.R. – Walter W. Saunders Ltd *v.* Dixon – Bispham *v.* Eardiston Farming Co (1919) Ltd	547
Electronics in the Office	549
The Association of Certified and Corporate Accountants Fifty-seventh Annual General Meeting	550
London and District Society of Chartered Accountants Annual Report	554
The Chartered Accountants' Benevolent Association Seventy-sixth Annual Report	556
Notes and Notices	558

Tax on Short-term Gains

THE central feature of the Finance Bill published just before Easter, is Chapter II of Part II, headed 'Charge on gains from acquisition and disposal of assets'. Comprising clauses 9–15 and covering thirteen pages, Chapter II is supplemented by the Ninth and Tenth Schedules, which together cover another seventeen pages. At long last the Inland Revenue have adopted the often-repeated suggestion that explanatory memoranda should accompany Finance Bills. A White Paper costing 1*s* 3*d* and entitled 'Taxation of short-term gains' (Cmnd. 1710) appeared on the same day as the Finance Bill and describes the proposals in Chapter II in outline.

Having read Chapter II, one realizes why the drafting has taken so many months. It is evident that all kinds of devices, well known and not so well known, have been reviewed and subjected to anti-avoidance provisions. Although, as we have said, the new tax is largely a voluntary one, since one has only to wait the statutory three years for land (six months for other assets) in order to avoid it, the very introduction of such a tax, hedged about with such safeguards, is the thin end of a very big wedge. As might be expected, the Inland Revenue have had second thoughts about the drafting of sections 21–23 and 28 of the Finance Act, 1960, and the result of their cogitations appears in clauses 19–21, which clauses are going to be a great headache to property speculators, apart altogether from Chapter II.

Clause 9 (1) imposes Schedule D tax for 1962–63 and subsequent years in respect of 'gains' accruing to any person who is both resident and ordinarily resident in the United Kingdom, from the acquisition and disposal of 'chargeable assets', if the gains do not accrue as profits of a trade, profession, vocation, office or employment. Where either acquisition or disposal occurred before April 10th, 1962, the tax does not apply. The three years (or six months) rule is imposed by providing that where the appropriate time limit is exceeded, 'there shall be no acquisition and disposal within the meaning of this chapter'. A new Case VII of Schedule D is created. It charges the gains accruing in the year of assessment (no complicated basis periods) after deducting the Case VII losses of the same or a previous year (not earlier than 1962–63). Profit is deemed to accrue at the date of disposal (or the date of acquisition in the case of a 'bear' transaction). Losses in the ordinary sense can also be set off against Case VII income under section 341 of the Income Tax Act, 1952. Taxpayers not domiciled here will enjoy the remittance basis in respect of gains arising outside the United Kingdom.

Chargeable assets are defined in clause 10; they include all forms of property (including options), with the exception of 'tangible movable property'. Even tangible movable property can be chargeable assets in three cases: commodities dealt with in a futures market; currency; and any property acquired with a view to its employment in a trade or business, but disposed of without being so employed. There are exemptions. Currency for an individual's personal expenditure or maintenance is not taxed; a main residence goes free, together with the garden etc. up to one acre, or more if the Appeal Commissioners allow it. Some speculators have bought large houses with large gardens and paddocks and have gone through the motions of living in the house, with a view to developing the grounds tax-free. Buildings and structures, with the ancillary land, used solely for a trade will be exempt. So will patent rights, for there are already provisions for taxing these. The exemptions for a residence or trade building will not apply if the acquisition was partly for the purpose of resale at a profit.

Clause 11 contains some complicated provisions as to the acquisition and disposal of rights in assets, contracts to acquire or dispose, transactions not at 'arm's length' (a phrase which is not defined), nominee holdings, settled property, property passing on death, transfers by way of mortgage, and the disposal of interests in land. In particular, a letting for a term of less than twenty-one years will normally not be treated as a disposal of land. Clause 12 deals with the computation of profit and applies Case I rules as they apply to an adventure in the nature of trade.

Clause 13 deals with the device of selling the shares in a company owning land, as a means of disposing of the land, where the owning company has not held the land for the statutory three years. Given that if the company sold the land it would be chargeable under Case VII, then a charge is laid on the proceeds of sale of the shares. For this purpose the period during which the shares have been held is really irrelevant and therefore neither the six months' nor the three years' time limit applies. The resemblance of clause 13 to sections 21 and 22 of the Finance Act, 1960, will be apparent. Clause 13 goes further than these two sections in their original form. 'Share' is defined as including the interest of a member in a company not limited by shares. The disposal of rights attached to or forming part of a share will be dealt with as though those rights were a separate share. Clearly, this is a lesson learned since 1960. Another lesson is that persons 'connected with' each other (to use the Bill's own expression) could dispose of shares without being caught by sections 21 or 22. A person's disposal of shares in a company will be caught if either:

(*a*) the company is (or controls) a 'land-owning company', is itself controlled by not more than five persons, and is a company in which the person has a 'substantial interest'; or

(*b*) the company (or its subsidiary) has a substantial interest in a land-owning company under the control of not more than five persons, and is a company of which the person (or he and persons connected with him) have control.

A land-owning company is one not trading as a dealer in land but nevertheless owning land to a value of one-fifth or more of the value of its net assets. A substantial interest is one-twentieth or more of the market value of the share capital, whether held by the person alone or by himself and persons 'connected with' him.

Clause 14 confers exemptions on charities. Clause 15 (5) gives to the Inland Revenue powers to require *any* person (under penalty) to say whether he has acted on behalf of a person 'in connection with any acquisition or disposal of assets' by that person and to furnish information as to relevant matters. The words 'in connection with' are so wide that it would seem that no professional person would be immune. Clause 9 (7) imposes profits tax in appropriate circumstances on Case VII profits.

One obvious criticism of the new tax is that although it is ostensibly directed at 'short-term gains', which in the words of THE CHANCELLOR are used as income, in fact it is applied to gains by trustees of settlements, and mutual insurance companies, which, generally speaking, are not spent.

Chapter I of Part II deals with the charge to income tax and the increased relief for small incomes. Chapter III contains miscellaneous amendments. Part I is devoted to customs, excise and purchase tax; Part III to estate duty; Part IV to stamp duty, and Part V to the compulsory redemption of tithes and the short title, construction, extent and repeals.

Revenue Back Duty Reverse

THE new back duty code contained in Part III of the Finance Act, 1960, was put forward as removing the anomalies of the former law. At the committee stage THE ATTORNEY-GENERAL said:

> 'we have thought it right to make a provision for the payment of interest by the taxpayer on the money of which he has had the use during the period since his default, simple interest at 3 per cent. In that part of the machinery contained in this Part, we believe we have devised a way by which all back duty and interest on it can be recovered'.

Others were not quite so enthusiastic about the drafting of the Act as the ATTORNEY-GENERAL. And now a blunder in it has been revealed.

MR CHARLES WILLIAM MARTIN of Albert Road, London SE25, like the celebrated MR HINCHY[1], was the subject of a back duty investigation as a result of which a number of assessments for past years were raised on him. The General Commissioners for the Wallington Division in Surrey dismissed his appeals against them as long ago as January 1958. In January of this year the Tax Inspector applied to these Commissioners for a certificate under section 58 (5) (6) of the Finance Act, 1960, of interest at 3 per cent on the tax charged.

Although the taxpayer himself did not take the point, the Clerk to the Commissioners advised them that they had no power to grant such a certificate. The Inspector then applied to the Divisional Court for leave to apply for an order of *certiorari* to quash the Commissioners' determination. This application (*Fysh v. Martin*) was granted on April 10th and the case came on for hearing on April 18th. The Divisional Court unanimously dismissed the Inspector's application.

Section 58 (1) imposes a charge for interest where 'an assessment *is* made for the purpose of making good to the Crown a loss of tax wholly or partly attributable to the fraud, wilful default or neglect of any person'. Read by itself, the subsection clearly applies only to assessments made after the Act became law on July 29th, 1960. The ATTORNEY-GENERAL relied on section 44 (1) which provides that, subject to section 44 (2), the provisions of Part III (including, of course, section 58) 'shall have effect in relation to any year of assessment . . . whether ending before or after the commencement of this Act'. Section 44 (1) also provides that the old penalty provisions shall cease to have effect, to the extent specified in Part II of the Eighth Schedule. The ATTORNEY-GENERAL said the obvious intention was that the new provisions should apply to assessments made before 1960.

The Court pointed out, however, that assessments for tax years prior to 1960–61 could well be made after July 29th, 1960, so that it was not necessary to infer that Part III was retrospective to such an extent as to hit assessments already made. The Court also pointed out that section 51 (1) uses the expression 'has been made', not 'is made'. The ATTORNEY-GENERAL was obliged to admit that, on the construction contended for by the Crown, it would be open to the Crown to levy interest in respect of tax which had been paid many years before 1960.

The Court declined to decide another point on the section, on the ground that the Inspector's application failed in any case on the plain wording of section 58. The other point arose out of section 44 (2) and constituted one of the grounds of the General Commissioners' decision – section 44 (2) provides, inter alia, that nothing in Part III

> '(*a*) shall affect any proceedings commenced before the commencement of this Act or the recovery of any penalty imposed in such proceedings;
>
> '(*b*) shall apply in relation to anything done or omitted which is the subject of such proceedings or in respect of which any proceedings were compounded before the commencement of this Act.'

The Commissioners took the view that the defaults of MR MARTIN were the subject of proceedings (i.e. the additional assessments) before the commencement of the Act.

It seems to follow from the Court's decision that the new penalty provisions in sections 46 and 47 are confined to acts or omissions occurring after July 28th, 1960. As the Legislature rather rashly repealed the old penalty provisions, a yawning chasm is now revealed, which calls for a hasty addition to the Finance Bill.

[1] *C.I.R. v Hinchy* (39 A.T.C. 13).

The Association's Affairs

ON the evidence of the extracts from the Council's 1961 report which we published in these pages three weeks ago, the affairs of The Association of Certified and Corporate Accountants continue to prosper although three problems, carried forward from previous years, remain unresolved.

The most urgent of these is the poor quality of the examination results. In the Final examinations in 1961, only 28 per cent of the candidates passed as compared with 44 per cent in 1960 and 49 per cent in 1959. The Intermediate examination results were more satisfactory although exact comparisons with the immediate past cannot be made as this examination has now been divided into two sections. Forty-three per cent passed Section I and 38 per cent Section II in December 1961, whereas in June 1961, under the old syllabus, 26 per cent passed the complete examination. In his presidential address given at the fifty-seventh annual general meeting of the Association on April 17th – a report of which appears in this issue – MR G. L. BARKER, F.A.C.C.A., considers that the difficulty may be that once the demands of office employment are honoured not enough time is available for examination study. Accordingly, the Association's bye-laws have been altered to permit students to take whole-time study courses for the two years preceding the Intermediate examination. MR BARKER appreciates that this innovation is a departure from traditional training methods but thinks that it is in keeping with modern developments in business education.

The second question still confronting the Council is the lack of support given to the district societies. Here again, the office octopus may be the cause but the efforts of those who look after the corporate and cultural sides of the Association certainly deserve more encouragement than they appear to get from the membership rank and file.

The third matter is that of headquarters accommodation. A further short lease of 22 Bedford Square has been taken but new and more commodious premises will have to be obtained to allow the activities of the Association adequately to expand. Bound up with this is the question of finances. Each year the Council contrives most commendably to spend less than it receives and in 1961 the excess of income over expenditure, before making certain transfers for future commitments, was £8,179. The aggregate funds of the Association at December 31st, 1961, were £85,854 and, by present-day money levels, that is clearly not sufficient backing. Accordingly, higher rates of annual subscriptions have been approved and will become operative from January 1st, 1963. It is noteworthy that this is the first increase since 1956 and that the new levels are only slightly more than twice those of 1939.

The Technical Research Committee and its satellite bodies, to whom THE PRESIDENT pays just and due tribute, quietly pursued their valuable inquiries during the year. The electronic data processing subcommittee produced the third of its current series on that subject, entitled *The Planning and Installation of a Computer* and the fourth – *Management Control and Auditing* – is promised for this summer. Behind the scenes, the taxation subcommittee made progress with two future publications – on back duty and double taxation relief – and began work on a new study on estate duty. A regular feature of the Committee's labours is the submission of memoranda to various Government departments including the usual pre-Budget advice to THE CHANCELLOR OF THE EXCHEQUER. Another notable event in the Association's calendar was the week-end school at St John's College, Cambridge, at the end of last month when nearly one hundred members attended.

It is becoming a tradition that the PRESIDENT makes some reference in his address to the Budget and this year, in the course of his remarks, MR BARKER describes the capital gains levy as a political expedient and dismisses it as a costly and complicated tax from which only accountants will derive benefit. This is a solemn thought because the present fortunes of the accountancy profession are substantially based on the ability to see that the law is correctly interpreted, observed and administered. Perhaps if, for a start, taxation laws were simplified – and the Association recently has made some excellent recommendations in this direction – accountants might find more constructive outlets for their specialized skills.

THE ACCOUNTING WORLD

Company Law Reform in Germany

by R. J. NIEHUS
Wirtschaftsprüfer, Düsseldorf

THE German Companies Act dates back to 1937, and almost from the start has been subject to heavy criticism. Its structure generally is considered undemocratic because nearly all power rests with the board of managers (*Vorstand*) and too little with the shareholders, or even with the board of directors (*Aufsicht*) for that matter[1]. The uniform profit and loss statement as prescribed by the Act is considered to fall far short of a proper statement of income. It permitted the offsetting of net sales not only against cost of sales but also against a host of other expenditures so as to arrive at an absolutely meaningless balance as the first item on the profit and loss statement.

After almost twenty years of debate the Federal Ministry of Justice published a Bill in 1958 and invited comments from experts. Naturally the Bill faced strong opposition – mostly from those who would have to relinquish some of their power under the new Act.

New Model Uniform Profit and Loss Statement

Since it has been the established aim of the German Government to revitalize the German stock-market in order to bring in new classes of the population who may buy and sell shares on the stock exchange, it was deemed necessary to eliminate as soon as possible the opportunity afforded by the 1937 Act, as mentioned above, to conceal the sales figure. Over stiff opposition from many in industry who feared that disclosure of net sales would afford their competitors too deep an insight into their operational set-up, and only after a link up with another Bill that permitted stock companies to issue 'stock' dividends without creating an income tax liability on the part of the recipient shareholders (until then a stock dividend like a cash dividend meant taxable income to the recipient), the so-called 'Little Company Reform Bill' became law on January 1st, 1960. As from that date, all companies operating in the form of an *Aktiengesellschaft* are required to disclose their net sales as the first item on the profit and loss statement which they have to publish annually together with their balance sheet. Only family companies below a certain size are excepted from this disclosure requirement.

[1] In the German company hierarchy the directors are elected by the shareholders. They are their representatives entrusted with the supervision of the management. The managers (*Vorstand*) manage the day-to-day business of the company. On principle, a member of the board of managers may not at same time be a director of the company, or vice versa.

Certain other but relatively minor changes were made to the income statement at the same time. For instance, amounts taken into income from a reserve account have to be disclosed separately; the same applies to provisions for general reserves which the management may have made before presenting the annual accounts to the stockholders.

These, however, were only piece-meal amendments. The sweeping changes are still to come. The Government presented a completely new Bill to the last *Bundestag*, but it was not considered before the *Bundestag* was dissolved for last year's general election. It is understood that the Bill, which must be tabled again before the new Parliament, will get its first reading some time in April or May of this year.

It is, of course, impossible to discuss here in detail the new Bill with its 350 articles and its implications for shareholders, board members, advisors, auditors, and the business community in general. Therefore it is proposed briefly to describe the most significant of the new features as far as they would seem to be of interest to public accountants in other countries.

New Model Uniform Balance Sheet

The balance sheet, which in Germany conventionally starts on the left side with fixed assets and with the other assets following in the order of their liquidity, now will have a separate section between fixed and current assets called 'investments'. The sub-headings will be: (*a*) Investments; (*b*) Long-term securities; (*c*) Long-term loans not maturing within the next three years. It is felt that such a subdivision (which has its counterpart on the liabilities side (see below) will give a deeper view into the company's liquidity position.

It has always been obligatory for public companies to show inter-company accounts as a separate item. In future, according to the new Bill, management will have to disclose the amount of shares the company holds in a controlling or a subsidiary company. At the same time the nominal amount of such stocks has to be mentioned. In this connection it should be noted that no change is envisaged regarding the provision that a company generally may not repurchase more than 10 per cent of its own stock.

On the liabilities side, it is perhaps of interest to note that in future only the reserves for depreciation of fixed assets may be shown here (it is customary in Germany, generally speaking, to deduct the annual depreciation from the book values of fixed assets), whereas, for instance, amortization reserves, reserves for doubtful accounts, reserves for inventory devalua-

tion are not to be shown here, but must be deducted from the assets concerned. This provision also operates in the interests of a clearer balance sheet.

Public companies in Germany usually show on the liabilities side of their balance sheets, between the profits retained and the accounts payable sections, an item called 'Reserve for contingent liabilities'. The new Bill contains a provision requiring the amount of contingent liabilities not maturing within the next three years to be shown in parentheses.

The interests of more adequate disclosure are also to be served by the introduction, on the liabilities side of the balance sheet, of a separate section for loans not maturing within three years. It will be subdivided as follows:

(*a*) Bonds (DM . . . secured by mortgages);

(*b*) Bank loans (DM . . . secured by mortgages);

(*c*) Other loans (DM . . . secured by mortgages).

As regards deferred accounts, it has been the practice of some companies to inflate deferred or prepaid charges or credits. In future, however, only truly deferred items may be shown here, whereas prepayments of any form have to be shown on separate accounts.

Secret Reserves

German commercial law which underlies the Companies Act is based on the principle of protection of creditors of an enterprise. In theory, this can mean that the interests of the creditors are best protected if assets are stated as low as possible and liabilities are overstated as high as possible, so that management may not distribute too much profit. It is, of course, often difficult to determine exactly where conservative valuation stops and wilful understatement begins. This has been realized by the authorities, who have not given in to demands from certain circles, mainly academic, to outlaw 'secret reserves' altogether, but have merely tried to restrict them. In future, secret reserves may be created in the balance sheet only within the following limitations:

(*a*) Fixed assets – only if this is deemed necessary from the viewpoint of a prudent and conservative business man in order to strengthen the position of the company.

(*b*) Inventories – only where considered necessary by a prudent and conservative management.

The new Bill explicitly states than no wilful overvaluation may be contained in the 'reserve for contingencies'. Management would violate the law if it should decide to transfer part of the annual profit to the reserve for contingencies account under whatever pretext – and in such a case the public accountant would have to withhold his certificate.

Annual Report to Stockholders

In addition to the information which has to be presented in the annual report under present law (liens, total emoluments paid to members of the board of managers and supervisors, assignment by bill of sale as security – to name only the more important items), the new Bill requires that, for instance, management has to inform stockholders when a right of the directors or managers to share in the profits of the companies has been commuted into any other form of compensation, for example, additional superannuation payment.

Under present law, management may curtail the information ordinarily required to be presented in the annual report, if this is deemed to be in the interests of the company. It appears that this protective clause has not infrequently been invoked, although there is no exact information on this point as management is not compelled to divulge at the annual stockholders' meeting that it had, in fact, withheld information for any reason. In future, there will be no such 'protective clause' and all the information stipulated by law must be disclosed.

A provision of existing law requires management to report to stockholders if the valuation – although still within the boundaries of the law – has not been observed consistently. There is no doubt, however, that this statutory requirement has been interpreted very liberally and practically no reports have contained any comments worth mentioning of changes in accounting principles. In the legislation now proposed this matter is tightened up and any changes regardless as to whether they are considered material or not would in future have to be reported.

Right to Fix Dividends

As in the past, the new Bill requires the company managers, acting with the board of directors, to prepare the financial statements and to determine the amount of the profit which in their opinion may be distributed as a dividend. At the same time they are required to disclose in the profit and loss statement the amounts set aside as reserves.

The shareholders' meeting, however, has the right to reject the balance sheet and profit and loss statement in the form presented, and may either restore to income part of the amounts set aside, or conversely, increase the provision for reserves. This exclusive right of the stockholders to dispose of the profit including open reserves is generally considered to be a prominent democratic feature of the new Bill.

Right of Minority Shareholders

Under present law the majority of shareholders could vote to liquidate the company or to change it into a *G.m.b.H.* which is the other form of incorporation in Germany (but which does not have to publish its financial statements, and the shares of which cannot be traded on a stock exchange). In future this will only be permitted if at least 95 per cent of the shareholders present at the shareholders' meeting agree to such a change-over.

Group Companies

Described above are some of the amendments which are proposed, which are designed to modernize – or as some critics say, to 'democratize' – the present company legislation. However, the most significant features of the new Bill are the provisions which deal with 'group companies' and, in this connection, especially with 'interlocking investments'. Not only does the Bill for the first time require the audit and subsequent publication of consolidated accounts, but it also requires management to prepare an annual report to stockholders on the consolidated accounts. Nor is the method of consolidation left entirely to the discretion of the companies and their accountants, but is to some extent prescribed in the Bill. A consolidation has to be made if a company owns more than 75 per cent (in certain instances more than 50 per cent) of the shares of another company.

Points on Take-over Procedure

CONTRIBUTED

The recent I.C.I.–Courtaulds battle has once again focused attention on take-overs and has given rise to some discussion of procedural points. In this article our contributor discusses current procedures in the light of the Prevention of Fraud (Investments) Act, 1958, the Licensed Dealers (Conduct of Business) Rules, 1960, the 'Notes on Amalgamations of British Businesses' published by the Issuing Houses Association in October 1959, recommendations made by various bodies and persons to the Jenkins Committee on Company Law Reform, and some case law on the subject.

Who can make Offers?

AT the present time a take-over offer, whether for cash or by shares exchange, can be made, *inter alia*,

(i) by an exempt person under the Act of 1958 on behalf of a principal. Exempt persons include issuing houses and merchant banks and all stock exchange firms which, as the result of a change in stock exchange regulations, can now make take-overs provided they have the consent of their council. Lists of exempted dealers are published annually by the Board of Trade and are obtainable from the Stationery Office;

(ii) by a licensed dealer under the Act of 1958 who has been granted either a principal's licence or a representative's licence by the Board of Trade. The Board has power to regulate the conduct of business by holders of licences and has done so in the Licensed Dealers (Conduct of Business) Rules, 1960 (S.I. 1960, 1216). These rules are not made applicable by statute to exempt persons;

(iii) by any company or firm provided it submits the document containing the offer to the Board of Trade for approval, or without such approval when making an offer for shares of any of its own subsidiaries;

(iv) through the sitting board of the offeree company. In this last case the question arises whether the document must be vetted by the Board of Trade before it is sent out to shareholders. Section 14 (3) (*a*) (iii) of the 1958 Act provides that a circular issued by a company and addressed exclusively to holders of securities in, or to persons employed by, or to creditors of the company or any subsidiary thereof, is exempt from the provisions of subsection (1) which places restrictions on the distribution of circulars relating to investments.

In a case which came before the stipendiary magistrate at Marlborough Street Court, London, in 1959, the chairman of a company of wholesale chemists was also chairman of a company of financial consultants who were financial advisers to the first company. At a meeting of the first company the chairman reported that he had received a firm offer for the company's shares and a resolution was carried unanimously that the board recommend shareholders to accept the offer. A circular was sent out to shareholders from the company's offices advising acceptance of the offer, but acceptances were to be sent to the offices of the financial consultants who had undertaken to deal with the transfer of the shares for a special fee. The financial consultants, who were not licensed dealers, were charged by the Board of Trade with having caused the wholesale chemists to distribute documents which were circulars containing an invitation to persons to offer to enter into an agreement for disposing of securities. The magistrate said he could not accept the claim that the act of the wholesale chemists was the act of the financial consultants

and he dismissed the summons. Nevertheless, there seems to be a feeling that the position generally in this respect is in need of clarification.

Controls

In the case of licensed dealers (but not exempt persons) the document containing the offer must contain the information and advice set out in article 1 (*a*) and (*b*) of the 1960 Rules, and the terms of the offer and the document containing the offer must also comply with the numerous requirements specified in Parts I and II of the First Schedule to the Rules. It is understood that where the offer is made by a member of the London Stock Exchange, the Council of that body is likely to insist that the offer contains the information laid down in the 1960 Rules, and a company or person (other than an exempt person or licensed dealer) submitting the document containing the offer for the approval of the Board of Trade will presumably also have to conform to the same rules as a condition of obtaining approval. Merchant banks, issuing houses and other exempt persons, on the other hand, are largely guided by 'City practice' as set out in the *Notes on Amalgamations of British Businesses.*

The control exercised by the stock exchange over information disclosed to offerees in a bid has been confined to cases of quoted companies issuing a circular of offer to its shareholders or intimating to its shareholders the existence of an offer. In such circumstances four copies of the proofs of circulars to shareholders and notices of any meetings are required to be submitted to the Share and Loan Department.

There is no stock exchange control over offers made by issuing houses, bankers, solicitors, accountants or other persons directly to holders of securities, but most issuing houses and merchant banks and several holders of principals' licences have, as a matter of courtesy, submitted proof documents of offer for comment by the Share and Loan Department. The *Notes on Amalgamations of British Businesses* in fact recommend that documents containing offers for securities which are quoted on the stock exchange should be cleared with the stock exchange authorities before their issue.

Contents of Documents

Among the financial institutions, professional bodies and others who have submitted memoranda to the Jenkins Committee, there is a large measure of agreement as to what the document should basically contain, but there are one or two striking instances of disagreement. It is generally accepted that the bidder should disclose his identity at the date of the offer, together with the number of shares he has already acquired, if only for the reason that a shareholder should know who will be in control if he is left in a minority.

On the other hand, the Law Society has stated that any person interested in acquiring any sort of property was at present free to conceal his identity if he wished, and the Council of the Society could not see any reason why a person wishing to acquire control of a company should be placed in a position of peculiar disadvantage. Several recommendations have been made to the effect that the latest date when an offer could be declared unconditional should be stated; and that when the offer was declared unconditional the bidder should reveal the number of shares which he then held or for which acceptances had been received and should allow a further period of seven days for acceptance. Three weeks is the most popular minimum period for which an offer should be kept open, with five weeks as the maximum period. The Accepting Houses Committee and Issuing Houses Association, in a joint memorandum, suggested that licensed and exempted dealers, when making an offer on behalf of a principal, should accept statutory responsibility (on the lines of the responsibility of an issuing house for the accuracy of an offer of sale) for seeing that the offer contains accurate and sufficient information about the offeror company to enable the recipient to make up his mind.

Other suggestions would require the bidder to state his intentions regarding the continuation or otherwise of the business and his proposed treatment of redundant personnel, if any. There are no dissentients from the view that in the event of a partial offer, acceptances should be on a *pro rata* basis in the event of acceptances exceeding the amount required. Indeed, the Council of the London Stock Exchange stated that it had as a 'subject for inquiry' the possibility of requiring an explanation of the reasons for the unwillingness or inability of the bidder to make an offer for the whole of the securities of a particular class.

By section 193 (1) of the Companies Act, 1948, particulars of any payment to a director for loss of office in connection with the transfer of all or any of the company's shares must be included in or sent with any notice of the offer for their shares which is sent to shareholders. Details of

such payments have often been included as part of the terms of the offer. However, where the Licensed Dealers Rules apply, article 1 (3) of Part II of the First Schedule to the Rules provides that the acquisition of the securities to which the offer relates shall not be conditional upon the offerees approving or consenting to any payment or other benefit being made or given to any director of the offeree company as compensation for loss of office or as consideration for or in connection with his retirement from office.

Duty of Offeree Company's Board

The Third Schedule to the 1960 Rules contains a list of requirements to be satisfied by the board of directors of an offeree company recommending acceptance (but not refusal) of an offer. Perhaps the most important requirement from the point of view of shareholders is number (8), namely, whether or not there has been any material change in the financial position or prospects of the offeree company since the date of the last balance sheet, with particulars. The Law Society of Scotland suggests that in addition the directors of the offeree company should inform the shareholders as to (*a*) the prospects of the industry in general and the company in particular; (*b*) whether in their opinion the present value of the assets of the company differs substantially from the balance sheet figures; (*c*) what they know of the financial standing of the offeror, and (*d*) whether the offeror's method of settlement appears satisfactory.

Section 54

Section 54 of the Companies Act, 1948, prohibits a company, saving exceptions, from providing financial assistance towards the purchase of its own shares or those of its holding company. It is not clearly worded and its main provisions have given rise to different interpretations. The fine for a breach of its provisions is relatively small and it is considered by some that there have been wholesale breaches of the section in connection with take-over bids, particularly where, for example, the bidder borrows the whole or part of the cash consideration for the purchase of shares and later repays the loan from the offeree company's resources. Some recommendations to the Jenkins Committee would deal severely with alleged breaches of this kind, but the question arises whether some of the practices condemned are really detrimental.

The Law Society (of England) points out that in many groups of companies finance is quite properly centralized in the parent company which acts as a banker to the group. When a company with liquid resources is acquired, those resources are taken over by the parent company which, it could be argued, had thereby recouped part of the purchase price of the shares and thus received financial assistance in connection with the purchase. The Council of the Society therefore recommends that section 54 should be reviewed so as to make it clear that this kind of transaction is permitted.

Similar observations came from the Council of The Institute of Chartered Accountants in England and Wales who stated that the section was apparently being interpreted to mean that if company A. (using its own resources or a bank overdraft or money borrowed from a third party) purchases the shares of company B., it is therefore unlawful for B. to transfer to A. either by way of loan or dividend any part of the cash or other assets held by B. at the time when the shares were acquired by A. In a memorandum from Guest, Keen & Nettlefolds Ltd, it was recommended that the extent to which a company's resources can be used, after the event, to finance the purchase of its own shares should be specified by statute.

Conclusion

It will be apparent from what has been said that the only direct statutory control, in the case of take-overs, is exerted where the offer is made by a licensed dealer, but that the Licensed Dealers Rules may be made applicable, under pressure or by persuasion, to other offerors or agents. Since, however, the majority of the more important bids appear to be made by merchant banks and issuing houses on behalf of principals, the governing factor is usually 'City practice' as outlined in the *Notes on Amalgamations of British Businesses*, and the requirements of the stock exchange so far as relevant.

Needless to say, circumstances alter cases, and the larger the company to be taken over and the more problematical the merits of the bid, the fuller should be the information required from both sides to enable shareholders to arrive at a decision. Indeed, latitude and flexibility are emphasized as desirable in connection with take-over bids by many of the recommendations to the Jenkins Committee, their sponsors being opposed to statutory intervention except to cure real or imaginary abuses or to clarify matters of law which are now in doubt.

Management Decisions Games

by BRIAN A. MAYNARD, M.A., F.C.A., F.C.W.A.

In this paper, the chairman of the recent 'Information for Management' conference of the London and District Society of Chartered Accountants, describes the aims and operation of the business game he organized for the conference.

THE idea of using games to teach principles for the conduct of operations is an old one. In the armed forces, where it can be unnecessarily disastrous to learn lessons the hard way, games have long been used for training purposes. Thus, it is known that Kriegspiel was in use in the Prussian army as early as 1798 and military games, which were introduced into the British army in 1872, later spread to many other countries. During the first half of this century Germany and Japan made extensive use of war games, particularly in their preparation for the Second World War.

Over the last five years, management or business games involving the use of an electronic computer have been used increasingly in industry and commerce and in business schools in the U.S.A.

In Britain, games which do not involve the use of a computer, often derived from the Andlinger (*Harvard Business Review*) game, have been in use for some time. But games which exploit the possibilities of computers have only recently become available in the United Kingdom. It is safe to prophesy that we shall be hearing a lot more of them as the many computers now being installed in this country become established, and their possessors find themselves in a position to benefit from recent American research and experience.

It was appropriate that the first conference in Britain at which such a management game was played should be organized for members of The Institute of Chartered Accountants in England and Wales. For accountants will inevitably have a large part to play in this development, either as external advisers or as members of the management team. Their enthusiasm was shown by the fact that the members of this conference were prepared to play the game on Thursday and Friday evenings until midnight and to follow this by an all-day session on Saturday in London near the computer.

Game not a Gimmick

I would like to stress the fact that this game constituted an integral part of our conference and was not an extraneous gimmick. Our theme was 'Information for management' – a much broader concept than the somewhat limited and dated one of management accounting. We were therefore concerned with our role as information men responsible for providing an all-round information service to all levels of management to assist them in planning and control and generally to make better decisions.

The selection of a computer game as a means of learning more about management decision-making processes does not imply any excessive enthusiasm for this new technique, which must be considered in perspective as only one of a whole range of management training methods. A computer game, however, offered two valuable advantages for our purpose. First, its speed enabled us to telescope some four years of vicarious experience into twelve hours of real time – no small consideration at a brief conference on a large subject. Secondly, it provided a rapid feedback of the results of their decisions to the players, thus allowing them to modify their policies in the light of the lessons learned while the game was in progress. This dynamic quality in the game can lead to a remarkable degree of personal involvement and absorption and increases the impact of its lessons.

Computers have the advantage of being able to use models incorporating far more numerous and complex factors than it would be practicable to include in a manual game. This makes it possible to illustrate a broader range of principles and to illustrate more complex procedures or techniques. Their other virtues include accuracy – though this is not infallible – and complete impartiality in establishing the results of competitive decisions. This obviates the personal resentments that are so easily engendered in games which involve qualitative decisions by a human referee.

Nature of the Game

A high degree of realism is vital in functional games used to provide training in specific areas like marketing, production control or stock control, or games designed for a particular industry, and, more

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generally, wherever simulations are used for research or problem-solving. But in general management games, whose object is to illustrate and teach general principles, verisimilitude or an impression of reality is what is required. Here it is more convincing and effective to simulate only those factors which are necessary for these purposes than to allow the main issues to be obscured by too many unimportant, though realistic, factors. At the other extreme, over-simplification to a point where verisimilitude was lost would interfere with players' concentration and acceptance of a game.

Ours was one of many variations of a well-known game produced by the American Management Association, which has done much to encourage the development of games for training purposes. Our version was adapted from the basic A.M.A. model by The Pillsbury Company in 1958 and has since been further modified by C.E.I.R. on whose resources and administration we relied.

Our game was of the 'interactive' variety, so described because the actions of each company were affected by those of each of the others. For example, a company's sales were affected if a competitor lowered its unit price, or improved the quality of its product and indulged in heavy marketing expenditure without changing the price. Being interactive, the game was competitive.

Non-interactive games are used for such purposes as training in the operation of internal procedures such as new inventory or production control systems. They can also be played competitively by, as it were, playing against par and comparing results.

The element of competition between the policies of the leading companies, which formed a most enlightening feature of our game, could easily be lost if there were too many competitors. We therefore restricted the number of companies to seven a game and organized the conference into fourteen groups so that two games could be played simultaneously.

Organization of 'Companies'

Each group comprised ten members – a chairman, his eight executives and a tenth, non-playing member who acted as observer. It was left to the chairman to decide how best to organize his team. As sound decision-making at high speeds is not possible without efficient internal organization, chairmen delegated responsibility for the more important functions and various clerical tasks. Some 'companies' found it practicable to rotate some of the jobs to broaden members' experience.

Concentration on the most relevant information for each decision is essential to success. It was left to each company to decide the extent and form of the records it required, but an *aide-mémoire* was prepared for any chairmen who were interested. Similarly, details of a number of possible forms of organization were also provided for the consideration of chairmen.

To facilitate the clerical work involved, stationery, including specially ruled graph paper and schedules for tabulations, coloured pencils and calculating machines were provided in the boardrooms.

Role of Observers

The observer attached to each company had previously attended a special half-day session on the game. His concern was that the company should learn from the game and not that it should win it – there was in any case no fixed criterion of success. His primary function was therefore to ensure that his company did not neglect any facts that might increase the benefits it obtained from playing the game. In doing this, he had to be careful to remain an observer and not to use his privileged inside knowledge about competitors' activities and the progress of the game to influence the policies or decisions of the company. An additional function was to assist generally in the maintenance of the time-table and answer questions of a routine nature about the game, passing others to the referee.

Observers were supplied with working schedules on which they recorded their observations under such headings as:

I – General objectives of the board;
II – Policies adopted to achieve goals;
III – Main interests of board members;
IV – Records maintained;
V – Organization of the board;
VI – General comments on benefits obtained.

They were particularly requested to agree with the chairman of their company a statement of its initial objectives and policies by the end of the first year, and, of course, to record changes made subsequently as a result of experience of competitors' activities.

At the general review session at the end of the proceedings, the observer was required to give his comments immediately after his chairman had reported.

At various stages in the game, conferences were held for the executives responsible for a particular function, such as sales, production or finance. These lasted for one quarter, during which the chairmen had to re-allocate the duties of those concerned. The agenda for each conference, which specified who was to open the discussion on each point, was circulated two quarters before the meeting.

Starting Position

Each group took over a company as a going concern from the previous management, competing in a relatively new market for a single type of product which they manufactured. In some games each group starts off with the same cash reserves and the individual companies, which are all in different positions, are auctioned to them. In our game, all companies started in identical positions in terms of cash and credit resources, plant, profit and share of the market and sales potential. These initial details were set out in the last reports of the previous management (Figures 1 and 2) and some explanatory notes are

provided in Appendix A. I should have liked to extend the technical information back over, say, the four previous quarters but this was not practicable. It was, however, apparent from the previous quarter's report that things were far from well and that every company had to improve its performance.

Decision Reports

At quarterly intervals, each company was required to make a series of decisions covering:

Level of output;
Level of expenditure on research and development;
Level of expenditure on marketing;
Unit price to be charged for its product;
Dividend to be paid, if any;
Expenditure on purchasing plant;
Expenditure on market research information;
Increase or decrease in bank loan.

These were recorded on the decision report (Figure 4) after their cash implications had been reviewed on the cash budget form (Figure 3). Notes on how these forms were to be completed are provided as Appendix B.

The ranges from which decisions had to be selected were realistically limited to prevent a company from extricating itself from difficulties by adopting extreme policies with a suddenness which would not normally be practicable in real life. This was appropriate for our purposes, though it can be objected that such restrictions prevent just those breakthroughs from which, in practice, success often stems. Less realistic was the precise implementation of all the decisions on expenditure, so that expenditure was always exactly in accordance with the budget.

The time allowed for a round of decisions varies greatly from game to game. In some of the more complex games which are now incorporated in the curricula of some of the leading American business administration schools, there is an interval of a week between each round of decisions. In other games, decisions are made every quarter of an hour.

We aimed to get the best of both worlds. During the initial two days, while we were at Oxford, the programme allowed an hour and a half to complete each of two rounds of decisions and three-quarters of an hour for the third. By the time we left for London, we should therefore have spent about four hours over the three quarters' decisions. In the event, as indicated in *The Accountant* last week, most companies worked at least four hours' overtime between these early rounds.

When we arrived at the computer centre on Saturday morning, having made a further round of decisions in our private carriages on the train, companies had got the feel of the game and established longer-term policies. We then went over to continuous working at high pressure, making quarterly decisions at intervals of about half an hour and starting work on the following quarter as soon as the decisions for its predecessor had been handed in. We worked right through lunch, which was consumed on the job.

There is no one best way of playing a management game and several combinations of policy can prove successful. Good management principles tend to pay off and, while it is important to explore the game's economy and regulate decisions accordingly, attempts to beat the game instead of playing it properly are a waste of time and defeat its objects.

As I have already stressed, the object of playing the game is to learn as much as possible from it and from one another in the process. If we must have criteria of success, I suggest those by which we would judge a company soon to issue a prospectus. 'Window-dressing' towards the end of a game (for example, by reducing stocks or expenditure on research and development to a dangerous level) in order to increase the value of one's company's shares in the final quarter at the expense of its future prospects therefore carry no weight and only invite criticism either from members of other companies, or from the observer, at the concluding review sessions.

Stock Exchange quotations, as in real life, do not always provide much of a yardstick of success. In our game they took account of earnings, dividends, production capacity, marketing expenditure, net assets and excessive stocks.

Returns

At the beginning of each quarter, each of our companies was given its report for the previous quarter in the standard form (Figure 1), together with any additional market research information it might have purchased. While it was important to watch competitors' activities, it had to be remembered that, as in real life, they could well be making mistakes. An enterprising management did not, therefore, let any undue tendency to conform deter it from thinking ahead and following positive policies.

(As a token of sympathy for those who might be running their businesses blind and to bring home the disadvantages of operating on this basis, we asked for the decisions for one of the quarters to be handed in before the results of the previous quarter were issued.)

At the end of each year, each company received an annual statement (Figure 4), which set out the net assets and annual profit of all the companies.

Economic Background

There is inevitably artificiality about an environment in which human factors outside the boardroom, such as labour relations, are completely ignored and decisions are made solely on the basis of reported information without first-hand knowledge of external events. Valuable deductions about what is going on in the economy generally can, however, be made from the quarterly reports. Thus it would be significant if the limit on the company's line of credit fell suddenly at a time when its credit-worthiness appeared to be increasing, or if there were a general fall or rise in the level of the share prices of all the companies

without any corresponding movements in profits to justify this.

A ten-minute talk on the general economic background of our game was therefore given before the third quarter. In the general review session at the end there was a further short review of the actual working of the economy during the particular game.

The only hint that was given in advance was that the market might tend to expand over the long term. Expansion would, however, be subject to planned checks representing such unforeseeable hazards as strikes, credit squeezes and import restrictions in the export markets and to the policies of the companies in such matters as selling prices and marketing expenditure.

Learning about the Economy

Each company was keen to find out quickly as much as possible about the industry simulated by the game. For example, how soon did expenditure on research and development affect the quality of the product? In games where research expenditure is considered to be incurred primarily on the search for new products, it may well prove unsuccessful and an appropriate element of chance is therefore built into the model. In our game, all expenditure was to some extent fruitful and resulted in some improvement in the quality of the existing product and some reduction in the production costs. No new products could be developed.

The appropriate level of expenditure, of course, depended both on the policy of the company and on the expenditure incurred by competitors. It was found to be worth spending £10,000 from time to time to find out how the quality of one's product compared with the target and with that of competitors as a check on the effectiveness of the company's research and development expenditure (Decision VIII).

It is tidy, but unrealistic, to think of each company's research work being carried out in a watertight compartment. But in practice they would be watching each other's progress by buying competitors' products and analysing them or by occasionally hiring members of a rival's research staff. We introduced a touch of realism here by exchanging one member of each company in the middle of the game. As the moves were between companies in different games, they brought no direct knowledge of a competitor's activities. They did, however, bring a breath of fresh air to each boardroom in terms of ideas about how the board should operate and what information was most useful for planning and controlling its business and alternative policies in different areas.

Marketing expenditure was another item which had to be carefully watched. In some games it pays off immediately; in others, intended to illustrate different circumstances, its effect is delayed. It is important to discover from experience both how quickly it begins to pay off and over how long a period its effects can be expected to last. This expenditure provides a good illustration of one of the limitations of these games, namely, the exclusion of the qualitative element. Thus each pound spent on marketing is equally effective regardless of who spends it and the circumstances in which it is spent. Selection of an appropriate level of expenditure must depend to some extent on the actions of one's competitors; for example, a level of expenditure which has previously been adequate may cease to be so if one's competitors step up their campaigns.

It was also desirable to discover as much as possible about the elasticity of the demand for one's own product and whether demand was to any significant extent seasonal. Other things being equal, overall demand would be increased if a number of companies incurred exceptionally heavy expenditure on marketing and research and development at the same time as pursuing a modest pricing policy, but this effect was not always very apparent.

Operation of Computer

The mechanics of our game were relatively simple; the programme for the game and the position of each team at the end of the preceding period, both previously recorded on magnetic tape, was fed into the store of the computer; an operation which was completed in only five seconds.

Each team's decisions were punched from its decision report into an eighty-column card. The seven cards, one for each team in the game, together with a card containing any special seasonal, cyclical and other factors affecting the level of demand, were then fed into the IBM 7090 computer. The machine took about three seconds to read the punched cards, allocate sales between the companies on the basis of the decisions that they made, compute the position at the end of the current quarter and record it on magnetic tape. This tape was then transferred to a smaller computer with a printing speed of 600 lines per minute, and the companies' quarterly reports were printed at a rate of about one report every fifteen seconds. For the rounds played at Oxford, the decisions were telephoned to London and the resulting reports sent to Oxford by car.

General Review Session

During the game, charts showing the progress of the teams, including their net assets, sales, net income and their decisions on such matters as unit costs and prices, were kept in an operations room. These were discussed at the general review session with which the game concluded.

The main part of these sessions were devoted to a consideration of each company's experience. Each chairman, in addition to outlining his company's goals and policies and commenting on its achievements, was asked to say something of the lessons learned in the process, the main mistakes made and how his company would behave differently if given another chance.

The observer then gave his comments, covering such matters as the efficiency of the company's internal organization and of its use of time, the clarity of its goals and policies and its sensitiveness to changes in the economy and to the policies of its competitors.

Benefits Obtained

There is no doubt that all participants enjoyed playing the game. What practical benefits were obtained, depended, of course, on the individual. On the whole, the experience strengthened the conviction that a positive approach, supplemented by good internal organization, and the intelligent selection and analysis of such information as may be available, enormously improves the quality of decision-making.

More specifically, it should have sharpened players' awareness of:

(*a*) the importance of keeping a proper balance between short- and longer-term objectives and the folly of maximizing short-term profits at the expense of future growth;

(*b*) the differences between the viewpoints of the various interests represented on the board and the need for intelligent compromise to reconcile their conflicting demands;

(*c*) the importance of constantly reviewing policy in the light of external factors, including the activities of competitors;

(*d*) the importance of calculating risks and of adopting policies which are flexible enough to enable a company to minimize the effects of unfortunate experiences and recover quickly from them.

While, for most organizations, the expense of preparing a tailor-made computer game would be prohibitive, the possibilities of adapting an existing game may well be attractive. The computer programme for a game incorporates a number of parameters – quantities which represent environmental features that remain constant – and, provided that the programme has been appropriately written, these parameters can easily be changed. In our game, some parameters could readily be recognized – for example, the rates of depreciation and interest and charges connected with stockholding. Those which were less apparent included the demand curve, and the effectiveness of expenditure on research and development and marketing and the period over which effects occurred. It will be clear that by altering such constants a game can be materially changed to meet varying requirements. Participants must, however, beware of assuming that policies which were successful in the particular simulated environment can be applied blindly in real life.

Figure 1

QUARTERLY REPORT

Company 1 4th Quarter, 1970

Statement of Net Assets	*Total* £(000)	*Net change* £(000)
Cash	3,416	−1,009
Stocks: 395,400 units at £4 9*s* 2*d*	1,763	1,088
Gross plant £(000) 7,151	—	—
Less Depreciation £(000) 2,202	—	101
Net Plant (capacity: 989,800 units at £5)	4,949	−101
Less Bank Loans	—	—
Total Net Assets	£10,128	

Income Statement	£(000)	£(000)
Revenue from Sales		
Sales of 704,000 units at £5		3,520
Cost of Product and Operating Expenses:		
Cost of units sold	3,148	
Research and Development	100	
Marketing	200	
Market Research	25	
Stock Carrying Cost	30	
Bank Interest	—	
Total Costs		3,503
Taxes and Dividends:		
Income before taxation		17
Taxes	8	
Net Income after Taxation		8
Dividends	30	
Retained Earnings		−£22

Market Information

	Unit price of product	*Share price*	*Percentage of market*	*Potential sales £(000)*	*Dividends £(000)*	*Quality of product* *
Company 1	£5	62*s* 5*d*	14·3	704	30	2
Company 2	£5	62*s* 5*d*	14·3	—	30	2
Company 3	£5	62*s* 5*d*	14·3	—	30	2
Company 4	£5	62*s* 5*d*	14·3	—	30	2
Company 5	£5	62*s* 5*d*	14·3	—	30	2
Company 6	£5	62*s* 5*d*	14·3	—	30	2
Company 7	£5	62*s* 5*d*	14·3	—	30	2

* 1 = Excellent: 2 = Good: 3 = Fair.

Total Industry Market, in (000) units = ... 4,928

Total Industry Marketing Expenditures, £(000) = 1,400

Figure 2

ANNUAL STATEMENTS

Year ended December 31st, 1970

	Cash £(000)	Value of stocks £(000)	Plant net value £(000)	Net assets £(000)	Net income £(000)
Company 1 ..	3,416	1,763	4,949	10,128	248
Company 2 ..	3,416	1,763	4.949	10,128	248
Company 3 ..	3,416	1,763	4.949	10,128	248
Company 4 ..	3,416	1,763	4.949	10,128	248
Company 5 ..	3,416	1,763	4,949	10,128	248
Company 6 ..	3,416	1,763	4.949	10,128	248
Company 7 ..	3,416	1,763	4.949	10,128	248

Figure 3

CASH BUDGET

Company 1 1st Quarter, 1971

Funds Available	£(000)	£(000)
Line of credit available	664	
Less Loans outstanding	—	
Available for Loan Increase		664
Cash available		3,416
Depreciation		99
Total Funds available		£4,179

Expenditure	£(000)	£(000)
I Production costs		
II Research and Development ..		
III Marketing		
V Dividends		
VI Additional Plant Investments ..		
VIII Market Research		
Stock Carrying Costs		
Interests Cost		
Total Expenditures ..		
IX–X Increase or Decrease in Loan ..		

Appendix A.

Notes on Quarterly Reports

I – STATEMENT OF NET ASSETS

This shows the figures at the end of the quarter together with the changes during the quarter. Changes are increases unless preceded by a minus sign.

1. *Cash.* – This includes the proceeds of sales during the quarter which, for simplicity, are assumed to be received on the last day of the quarter.

2. *Stocks.* – The number of units of the finished product in stock at the end of the quarter, at its unit production cost (F.I.F.O.).

3. *Depreciation.* – Depreciation is provided at the rate of 2 per cent per quarter on the net book value of plant at the end of the previous quarter.

4. *Net plant.* – It is assumed that each £5 net book value

Figure 4

DECISION REPORT

Company 1 1st Quarter, 1971

Decisions for Next Quarter

	I *Cost of Product* Unit cost £ s d	Units (000)	Cost £(000)	II *Research and Development* £(000)	III *Marketing* £(000)	IV *Price per unit* £ s
1	4 14 6	752	3,554	1 70	1 140	1 4 14
2	4 12 0	772	3,585	2 75	2 150	2 4 15
3	4 11 5	792	3,620	3 80	3 160	3 4 16
4	4 10 2	812	3,658	4 85	4 170	4 4 17
5	4 9 0	831	3,702	5 90	5 180	5 4 18
6	4 8 1	851	3,750	6 95	6 190	6 4 19
7	4 7 4	871	3,804	7 100	7 200	7 5 0
8	4 6 9	891	3,863	8 105	8 210	8 5 1
9	4 6 3	911	3,929	9 110	9 220	9 5 2
10	4 6 0	930	4,001	10 115	10 230	10 5 3
11	4 5 11	950	4,081	11 120	11 240	11 5 4
12	4 6 1	970	4,176	12 125	12 250	12 5 5
13	4 6 6	990	4,279	13 130	13 260	13 5 6

V *Dividends* £(000) =

	VI *Additional plant investment* £(000)	Units	VII *Discard of plant* £(000)	Units
1	0	0	1 0	0
2	30	6,000	2 60	12,000
3	60	12,000	3 120	24,000
4	90	18,000	4 180	36,000
5	120	24,000	5 240	48,000
6	150	30,000	6 300	60,000
7	180	36,000	7 360	72,000
8	210	42,000	8 420	84,000
9	240	48,000	9 480	96,000

VIII *Market research information* £(000)	Code	Definition
1 0	O	None.
2 5	S	Competitors' share of market.
3 10	M	Industry marketing expenditure.
4 10	Q	Relative quality of product.
5 15	SM	
6 15	SQ	
7 20	MQ	
8 25	SMQ	

IX *Increase loan*, £(000) =

X *Decrease loan*, £(000) =

of plant held at the end of the previous quarter is capable of providing one unit of output during the quarter. The productive capacity of the plant is therefore calculated by dividing its net book value by five.

5. *Bank loans.* – Loans outstanding at the end of the quarter.

II – Income Statement

1. *Sales.* – Number of units sold during the quarter, at the price decided at the beginning of the quarter.

2. *Cost of units sold.* – Cost of production during the quarter (including wages, materials, depreciation, administrative salaries, maintenance, etc.), less any increases in stocks (credited at the unit cost of production during the quarter), plus any decreases in stocks during the quarter (at the unit cost at the beginning of the quarter).

3. *Research and development.*
4. *Marketing.*
5. *Market research.*

} Expenditure during the quarter as decided at the beginning of the quarter.

6. *Stock carrying costs.* – Cost of holding stocks, calculated at the rate of 4*s* per unit held at the beginning of the quarter.

7. *Bank interest.* – Interest payments of 2 per cent per quarter on the loans outstanding at the end of the quarter.

8. *Taxes.* – Taxes are computed at the rate of 50 per cent of profits. Taxes are repaid at the same rate on any loss in the period in which it is incurred.

III – Market Information

Each company will be provided with the following information about all companies at the end of each quarter.

1. *Unit price of product.* – Selling price during the quarter.

2. *Share price.* – The Stock Exchange quotation at the end of the quarter.

3. *Dividends.* – Dividend paid during the quarter, together with:

4. *Total industry market.* – Total units sold by all companies during the quarter.

Each company will also be given the following information about itself:

5. *Percentage share of market.*

6. *Potential sales.* – The number of units it has sold during the quarter, or, where appropriate, the total number that it could have sold if it had not been out of stock. If sales are lost for this reason, there will be a loss of goodwill for a number of subsequent periods.

In addition, the following information will be provided if it was purchased on the decision form at the beginning of the quarter.

7. *Quality of all companies' Products.* – Graded 'excellent', 'good' or 'fair' as an indication of the relative effectiveness of each company's research and development programme. This information costs £10,000.

8. *Total industry marketing expenditure.* – Aggregate amount spent on marketing by all companies during the quarter. This information costs £10,000.

9. *Percentage share of market.* – Similar information about all other companies to that provided free about itself (III – 5). This information costs £5,000.

Appendix B

Notes on Completing Decisions Report and Cash Budget

1. Decisions on the following points must be made from the range provided on the decisions report for the quarter. They should be recorded on the report at the beginning of the quarter by ringing the appropriate serial number.

I – Cost of Production

2. The report shows the unit costs of the plant held at the beginning of the quarter at different levels of output. From this a production level for the quarter must be selected.

II – Research and Development

3. The range of thirteen alternatives is centred on the company's decision for the previous quarter – which thus appears against No. 7. An increase or decrease from the previous quarter's level of expenditure of up to £30,000 in £5,000 steps, is therefore possible.

III – Marketing

4. The range is centred on the previous quarter's decision (No. 7) and permits an increase or decrease from the previous quarter's level of expenditure of up to £60,000 in £10,000 steps.

IV – Unit Price

5. The range is centred on the previous quarter's item (No. 7) and permits an increase or decrease from the previous quarter's unit price of up to 6*s* in 1*s* steps.

V – Dividends

6. Enter zero if no dividend is to be paid. The dividend payment shown on the starting report is a quarterly one.

VI – Additional Plant Investment

7. The range of alternatives for the purchase of plant remains the same in each quarter. As the capacity of the plant and equipment is assumed to fall at a rate corresponding to the depreciation provision (2 per cent per quarter on the net book value) a quarterly expenditure of about £100,000 is required to avoid a reduction in capacity. Expenditure on plant becomes productive in the quarter after that in which it is incurred.

VII – Scrapping of Plant

8. This facility will not be available.

VIII – Market Research Information

9. Three types of market research information may be purchased – competitors' share of market, total industry marketing expenditures and relative quality of all companies' products – see Appendix A, III: 7, 8 and 9.

IX–X – Increase or Decrease in Loans

10. The expenditure resulting from the above decision should be entered on the cash budget. The total expenditure proposed should then be calculated by calculating and entering the figures for 'Stock carrying costs' and 'Interest' (Appendix A – II: 6 and 7).

11. The cash position should then be reviewed in the light of the total funds available (the proceeds of the quarter's sales are excluded as they are assumed to be received at midnight on the last day of the quarter). The line of credit available is affected by profits, the Stock Exchange quotation, marketing expenditure, the level of stocks and the current economic climate. As the depreciation provision for the quarter is included in its production costs, it is automatically added to the figure of funds available to simplify calculations.

12. It is essential to prepare a provisional cash budget as early as possible so that the implications of the proposed decisions can be reviewed in good time. For it will often be found that the expenditure initially proposed would exceed the total funds available with the result that the decisions will have to be modified.

13. Decisions on whether to increase or decrease bank loans can then be reached and entered on the report. The arithmetic should always be checked to ensure that the loan increase is adequate to meet requirements. Enter zero where there is no change.

14. If at the end of any quarter the company's credit limit is reduced below the outstanding loans, the position must be rectified in the following quarter.

Weekly Notes

NEW SCHEDULE A ASSESSMENT UPHELD

A DEVICE to avoid Schedule A tax by letting a gravel-pit at an ordinary agricultural rent and granting a simultaneous licence to extract gravel in consideration of royalties was successful before the General Commissioners and in the High Court (*De Voil v. Welford Gravels Ltd* (40 A.T.C. 287) but foundered in the Court of Appeal (*The Financial Times*, April 18th).

The land in question consisted of 23½ acres on the 115-acre Stows Farm. It contained a gravel-pit which had been worked to a limited extent for years. Then the owners of the farm having obtained development permission sold the 23½ acres to Besbuilt Ltd in February 1957. The latter allowed Welford Gravels Ltd to erect some expensive plant and small buildings for the purpose of intensive exploitation. In December 1957 Besbuilt Ltd granted to Welford Gravels Ltd a twenty-one-year lease of the 23½ acres at £60 a year, with a prohibition against extracting sand or gravel. However, on the same day Besbuilt also granted to its tenant a licence to extract, for the same term, at a royalty. Very large sums were paid in royalties.

The Inland Revenue made an additional Schedule A assessment on the 23½ acres for 1957–58 on the ground that, although 1957–58 was not a year of general revaluation, the 23½ acres constituted a new property. This argument prevailed in the Court of Appeal; Upjohn, L.J., dissenting. The taxpayer obtained leave to appeal to the House of Lords.

PRUDENTIAL POLICY?

THE head man from the Prudential, Sir Frank Morgan, M.C., in his chairman's statement with the accounts for the year ended December 31st, 1961, strongly advocates the retention of the penny at its present value in any system of decimal coinage which the United Kingdom may introduce. He argues that the essential transactions of life involving the purchase of goods and services – bread, milk, bus fares, newspapers, postage stamps, and industrial assurance policy premiums among them – are based on the spending power of a penny or multiples of it and that to alter this standard – as would have to be done if the £ or 10*s* were adopted as the main unit – would seriously disrupt our everyday economy. He therefore supports building the new currency system upwards from the penny thus creating a new standard coin worth 100 pence or 8*s* 4*d*.

Sir Frank's particular case for industrial life assurance is that policies are long-term contracts and that

> '. . . the compulsory alteration of the premium during the existence of the contract produces a major administrative problem not only in accounting changes but in the adjustment of benefits to accord with the change in premium'.

It is difficult for the layman to appreciate this argument. There should be no alteration in the real value of the premiums of any existing policy nor in the corresponding value in the benefits accruing therefrom. All that would be affected over a short term is the incidence of collection of premiums and surely it is not beyond the wit of the agent to arrange his affairs so that, instead of collecting, say, fourpence every four weeks over a period of twelve weeks from a client, he calls twice in the same period and collects the equivalent of sixpence (5×1·2*d* if the principal unit in the new currency was 10*s*) each time. This would actually save him a call. Perhaps there is much more to it than that, but on the surface it looks as if the Prudential chairman's concern for the possible passing of the penny, as we know it, is scarcely justified.

ACTION AGAINST ACCOUNTANTS FAILS

IN the High Court on April 18th Mr Justice Megaw dismissed with costs an action in which a former Plymouth solicitor, Mr Ralph Damerell Luscombe, alleged that professional negligence by his accountants had led to his being struck off the Solicitors' Roll.

Mr Luscombe, 56, now of Mill End House, Bickington, South Devon, claimed damages from Messrs Roberts & Pascho, Chartered Accountants, of Ermington Terrace, Plymouth, alleging that from 1953 to 1957, inclusive, they overstated his profits, causing his liability to his own clients to be camouflaged. By the time the true position was ascertained in 1958 his liability to clients was £10,369. The defendants denied negligence and claimed that Mr Luscombe was to blame for his present position because, they alleged, he used clients' money for his own purposes.

Giving a reserved judgment, his lordship said, 'I have, not lightly nor without anxious consideration, decided that Mr Luscombe, a man in an honourable profession with an otherwise unblemished record, a man who was clearly liked and respected by his fellow solicitors and others in the place where he lived and worked, has been guilty over a period of years of dishonest conduct.'

None of the plaintiff's clients had suffered any loss as a result of the deficiency because a large number of Plymouth solicitors, moved to a large extent by affection for Mr Luscombe, had subscribed over £7,000 towards the deficiency.

'I have come to the conclusion that Mr Luscombe's claim fails and there is no liability on the defendants,' said the judge. 'It is true that the accountants were in breach of their duties in various respects, for which in different circumstances they would have been liable. I have, however, been driven reluctantly and inexorably to the conclusion that throughout the

relevant period Mr Luscombe's conduct was dishonest and he is, therefore, to blame.'

From 1952 Mr Luscombe had transferred from his client account money he held on behalf of clients to his office or private account. From the office account he was paying disbursements on behalf of clients, office expenses and his own personal and private expenses.

It had not been disputed that Mr Luscombe had acted in breach of the Solicitors' Accounts Rules, and that the defendants had failed in their duty as accountants in certain respects. It was highly probable that if the accountants had exercised the necessary standard of care, the plaintiff's irregularities would have come to light much earlier and would have been prevented for the future. If Mr Luscombe had been completely free from blame he would have been entitled to recover some damages against the defendants.

The judge rejected the contention that Mr Luscombe had never made incorrect entries in his books. 'I am satisfied that certain deliberately wrong entries were made with the intention of deceiving the accountants. In fact it was an investigation of wrong entries which brought the whole deficiency to light,' he said. The fact that Mr Luscombe made these false entries showed beyond doubt that he knew what he was doing and that in making these transfers he was being dishonest.

The judge referred to the further transfers made by Mr Luscombe after July 25th, 1958, when Mr Pascho told him that the transfers had to cease. Plaintiff had alleged that these transfers, made in the agony of the moment, were done with the knowledge and approval of Mr Pascho. If it were true that Mr Pascho had approved the later transfers, he would have been guilty of a criminal offence of abetting and encouraging fraudulent conversion by Mr Luscombe. But Mr Luscombe's story was not true and the fact that he had told this story was of itself indicative of a dishonest mind. That the plaintiff was prepared so to lie about this and other matters provided confirmation that his state of mind throughout 'this whole lamentable history was not that of a man of incredible stupidity but that of a man with a dishonest mind'.

His lordship, having considered all that had been said on behalf of Mr Luscombe, was driven irresistibly to the conclusion that his conduct was dishonest. Mr Luscombe knew that what he was doing was wrong – wrong not merely in the sense of a technical breach of professional rules but wrong in misusing clients' money, constituting a breach of the trust imposed in him as a solicitor and also of the law of the land. It followed that Mr Luscombe's claim failed and judgment was given for the defendants.

Mr John Willmers, for defendants, applying for an order for costs, said Mr Luscombe was legally aided with a nil contribution. The judge granted the defendants the costs of the action but said the order should not be enforced without the leave of the Court.

ESTATE DUTY AND THE 'SURVIVING SPOUSE' EXEMPTION

THE Court of Appeal, by a majority, has dismissed the Inland Revenue appeal against the judgment last June of Mr Justice Buckley in the case of *Coutts & Co (Stanhope's Trustees) v. C.I.R.* (40 A.T.C. 161). The claim arose out of the death of Lady Beryl Groves. A settlement had been made on her first marriage (to Captain Stanhope) in 1914. Captain Stanhope was the life-tenant subject to 'pin money' annuity of £200 to Lady Beryl. He was killed in 1916 and duty was paid on the whole settled fund, less the 'slice' producing the pin money. Lady Beryl being the then life-tenant made a settlement in 1923 of equitable interests of hers in the settlement – she died in 1957.

The Revenue claimed estate duty on the whole settled fund. The trustees resisted this on the ground that the exemption conferred by section 5 (2) of the Finance Act, 1894 (as amended) applied. This exemption is known as the 'surviving spouse' exemption. Where estate duty is paid on settled property on the death of one spouse, the settlement continues, and the other spouse dies without being competent to dispose of the settled fund, the exemption applies. The Revenue argued that they were claiming duty on the fund settled by Lady Beryl in 1923, which *ex hypothesi* she had been competent to dispose of. Buckley, J., held that the exemption applied to all the fund except the slice necessary to produce the pin money. The Court of Appeal have affirmed his decision but have given the Revenue leave to appeal to the House of Lords. (*The Financial Times*, April 18th.)

LITTLEWOODS' STORES STAMP DUTY APPEALS

THE appeal and cross-appeal in the case of *Littlewoods Mail Order Stores Ltd v. C.I.R.* (40 A.T.C. 171) were dismissed by the House of Lords on April 17th. The Court of Appeal had held (affirming Danckwerts, J.) that the assignment of a lease in exchange for the conveyance of a freehold was not a 'conveyance on sale' so as to attract *ad valorem* stamp duty under the Stamp Act, 1891. The Crown appealed in vain against this decision (*The Financial Times*, April 18th).

The second point, on which the taxpayer appealed, was rather more complicated. The taxpayer took a lease, from the Independent Order of Odd Fellows, of certain property. It then made a voluntary assignment of that lease to its wholly-owned subsidiary. It claimed exemption from *ad valorem* voluntary disposition duty on such assignment, on the ground that the exemption conferred by section 42 of the Finance Act, 1930, applied. However, this exemption is withdrawn by section 50 of the Finance Act, 1938, where the assignment is executed in connection with an arrangement where under, *inter alia*, the beneficial interest in the property was previously conveyed or transferred directly or indirectly by a person who

was not an associated company. The question was whether in granting the lease, the Odd Fellows 'conveyed or transferred' the property. The company argued that these words imported the idea of a conveyance or transfer in the ordinary sense, which a lease was not. However, the argument has been rejected.

RATE OF STOCKBUILDING

THE April issue of the *Treasury Bulletin for Industry* shows that over the past ten years the level of stocks has tended to increase at an average annual rate of £200 million, at 1958 prices. There have, however, been very wide variations in the stock changes in individual years.

Apart from 1951 when stockpiling due to the Korean War added a record figure of £870 million to home demand, the biggest addition to stocks occurred in 1960, when the increase in home demand of £408 million was one of the major factors tending to inflate imports. The statistics show that at the end of 1961 the ratio of stocks to industrial output was exceptionally high. This may mean not only that the balance of trade will continue to improve but also that a considerable expansion in demand may occur before there is any marked rise in industrial output.

At the end of 1960 total stocks were valued at about £10,000 million, equivalent to 45 per cent of the gross domestic product in that year.

This is My Life . . .

by An Industrious Accountant

CHAPTER 121

I WENT to hear a lecture on Common Market problems recently; primarily because it was given by an old colleague from the firm of auditors whence I graduated. He's gone far since those early days, far up the ladder to success and prosperity – director, member of two Government commissions – and his talk was really good. I sat at the back of the hall and listened.

He hadn't changed much. His tall figure was still fit and athletic-looking; his raven hair, though thinning and frosted, looked distinguished; his bearing was impressive. I thought of the handsome young man who had worked across the aisle from me at the paper-laden desk, without background or qualifications but with the urgent, insatiable ambition, years ago. He wasn't 'chartered' like the rest of us. He had left school earlier owing to his father's business collapsing suddenly; he had leeway to make up.

If we were more carefree, he helped to adjust the balance. He worked at night classes for a degree and read the financial papers avidly. *We* talked test matches and went to Wimbledon; *he* read the speeches given at annual general meetings and visited libraries during the winter week-ends. Not that he was a backroom-boy type or a swot; rather the reverse. He was the best of company when he relaxed; a good raconteur, an interested listener; he added to the gaiety. Even now he was telling a story in dialect that had the audience in stitches ('Oh la, la, monsieur, eet ees different in zis countree').

He had an attractive personality in any party. It was more that he matured early; where we used to be easily tolerant of people's blunders or weaknesses – more inclined to forgive or help, he had a realistic approach. Listening now to his speech, while he urged the audience to cut out the deadwood ruthlessly, to achieve efficiency to survive, I remembered his coldly logical precision in the past. Our senior partner had asked him to carry old William in his section for some months, William being nearly due to retire and becoming feeble; but our colleague had refused firmly. The rest of us would have agreed, or demurred politely. He was adamant and by sheer personality induced the partner to transfer William elsewhere.

Now he was smiling gaily round and the audience was with him to a man. He was telling an audacious anecdote of his early days, about his holiday spare-time work behind a shop counter 'to gain experience of human relationships, gentlemen, and also . . . because I dam' well needed the cash!' I remember that holiday. I went to the Isle of Man and he chaffed me cheerfully about my wealth when I came back. We were good friends and he was often a guest in my house.

He was doing better by then; his salary was probably being stepped up; his prestige was growing. He was being selected for good-level audits where the clients needed polished handling. His charm and diplomacy was well appreciated in our office. He was largely responsible for avoiding a nasty scene one winter when an ugly situation developed. Petty pilfering had been rife for months. A watch, some valuable books, money left in overcoats in the cloakroom . . . we all became suspicious and edgy. We were pretty sure, on circumstantial evidence, that it was old William. We very nearly denounced him, but our colleague made us keep it quiet. He talked to the senior partner and William got a month's notice without fuss or scandal.

He had reached the climax of his speech now; a stirring appeal to patriotism; the audience was cheering and clapping. He bowed with friendly dignity. He's certainly gone far since that unforgettable day in our old office – just before he landed a good job with our most influential client – when I entered unawares . . . and caught him red-handed in his thieving.

Finance and Commerce

Honours

THE accounts of Grampian Holdings Ltd, an industrial holding company with a decidedly Scottish background, are the subject of this week's reprint. The company's head office is in Glasgow; its interests are mainly in Scottish industries and its organization includes 'a Scottish finance company to provide facilities which have hitherto only been available in England'. Chairman is Sir James R. H. Hutchison and the deputy chairman, Mr Andrew Rintoul. And where the accountancy profession is represented among its chief officials, their designation is 'C.A.'.

Industrial holding companies, a growth of the post-war years, have sometimes been criticized for their lack of information on the companies and businesses which constitute them. Expansion as individual holding units has obscured revenue comparison as fresh sources of income have been acquired. Instances have been noted in this column where comparison has been invalidated by the inclusion of profits from a source that, so far as the holding company was concerned, did not exist in the previous year.

Grampian Holdings, however, is free from such criticism. Indeed, Press comment on its accounts has been highly commendatory. 'As usual, a very model of their kind', said one. And another writer felt that the board should be 'congratulated on the exemplary manner in which the accounts have been presented once again'. There may have been more in this vein, but no effort has been made to collect up the honours.

Behind the Scenes

The outstanding point about this report and accounts is that they do take the shareholder, and others whom it may concern, behind the scenes. Interests are diverse. There is Lanarkshire Bolt (Holdings) making nuts and bolts; Fleming Brothers (Structural Engineers) which last year completed the reactor at the Windscale Atomic Energy Station; Revel Industrial Products in furniture and musical instruments; Grampian Textiles making Harris tweeds, etc.; Grampian Lighting making electric light fittings; Hall Electric producing for the radio and electrical trades; W. H. Malcolm, road transport and haulage contractors; Millard Brothers making fishing tackle, guns and other sporting equipment; and Leonard Hill, publishing technical and trade journals and books, to mention only some of the interests.

Consolidated Profit and Loss Account

for the year ended 31st December 1961

	1961 £	£	1960 £	£
GROUP TRADING PROFIT		1,166,057		770,666
Dividends (gross) from Quoted Investments		10,599		3,105
		1,176,656		773,771
Deduct Fees of Directors of Parent Company	6,333		5,482	
Expenses of Parent Company	55,346		40,211	
Depreciation on Fixed Assets	131,775		94,721	
Interest on Bank Overdrafts	97,140		50,462	
		290,594		190,876
		886,062		582,895
PROFIT BEFORE TAXATION				
Deduct Taxation				
Based on the Profits of the year				
Profits Tax	121,998		77,752	
Income Tax	326,441		221,998	
	448,439		299,750	
Adjustments relating to previous periods	16,042		17,779	
		432,397		281,971
PROFITS AFTER TAXATION		453,665		300,924
Deduct Outside Preference Shareholders	4,670		4,672	
Amounts applicable to periods prior to acquisition by Parent Company	49,286		93,087	
		53,956		97,759
PROFITS AFTER TAXATION APPLICABLE TO THE GROUP		399,709		203,165

Consolidated Profit and Loss Appropriation Account

for year ended 31st December 1961

	£	1961 £	£	1960 £
PROFITS AFTER TAXATION APPLICABLE TO THE GROUP		399,709		203,165
APPROPRIATIONS				
Amounts set aside towards Future Taxation (Subsidiaries)	53,840		—	
Preference Redemption Reserve (Subsidiaries)	5,500		5,362	
Preference dividends (less Income Tax) for year to 31st December 1961 (Parent)	27,778		20,532	
Interim Ordinary dividend (less Income Tax) (Parent)	49,815		38,411	
Proposed Final Ordinary dividend (less Income tax) (Parent)	79,978		73,008	
		216,911		137,313
PROFITS FOR THE YEAR UNAPPROPRIATED				
Subsidiary Companies	4,773		13,935	
Parent Company	178,025		51,917	
		182,798		65,852
BALANCES brought forward				
Subsidiary Companies	15,171		1,236	
Parent Company	82,398		30,481	
		97,569		31,717
BALANCES carried forward				
Subsidiary Companies	19,944		15,171	
Parent Company	260,423		82,398	
		£280,367		£97,569

The notes on pages [542] form part of these accounts

Consolidated Balance Sheet as at 31st December 1961

	1961 £	£	1960 £	£
ISSUED CAPITAL OF GRAMPIAN HOLDINGS LIMITED		1,640,880		1,420,025
CAPITAL RESERVES				
Share Premium Account	1,455,567		1,177,735	
Net Surplus on sale of Investments	5,054		5,054	
Subsidiary Companies	20,543		12,291	
		1,481,164		1,195,082
REVENUE RESERVE Unappropriated Profits		280,367		97,569
OUTSIDE PREFERENCE SHAREHOLDERS INTEREST IN SUBSIDIARY COMPANY		125,000		125,000
FUTURE INCOME TAX		338,331		212,068
CURRENT LIABILITIES AND PROVISION				
Provision for Pensions and Retirement Benefits	17,506		19,450	
Sundry Creditors	1,261,399		946,784	
Loans	30,000		40,500	
Bills payable	28,179		284,233	
Current Taxation	487,094		256,017	
Bank Overdraft (Partly Secured)	1,853,527		342,347	
Unclaimed Dividends	29		15	
Proposed Ordinary Dividend (less Income Tax)	79,978		73,008	
		3,757,712		1,962,354
		£7,623,454		£5,012,098

	£	1961 £	£	1960 £
GOODWILL being excess of cost over book value of Net Assets of Subsidiary Companies at dates of acquisition		1,066,138		457,574
FIXED ASSETS				
Land and Buildings	670,844		500,878	
Plant, Machinery and Motor Vehicles	846,324		531,019	
Fixtures, Fittings and Equipment	112,478		57,481	
		1,629,646		1,089,378
INVESTMENTS				
Quoted Investments at cost	77,349		71,845	
(Market Value 31st December 1961—£80,010)			(74,154)	
Associated Company at cost	27,502		27,502	
		104,851		99,347
CURRENT ASSETS				
Stock and Work-in-progress, as certified by the Companies' officials	2,417,945		1,688,591	
Sundry Debtors	2,245,430		1,611,971	
Short Term Local Authority Loans	50,000		40,000	
Tax Reserve Certificates	41,450		—	
Bills Receivable	22,999		20,633	
Balances at Bankers and Cash on hand	40,391			
		4,818,215		3,361,195
REORGANISATION EXPENSES		4,604		4,604
		£7,623,454		£5,012,098

The notes on pages [542] form part of these accounts

But the essential fact is that each has its own place in the report, most of them two pages. The composition of the separate boards of directors is given, the address of the registered office, auditors, solicitors, bankers, and the identity of further subsidiaries.

Capital employed in each is shown: fixed assets, current assets less current liabilities, the percentage which net assets bear to the total of Grampian assets, and the percentage of profits subject to tax to the total of Grampian profits. And each chairman reports on the business which, within the holding company, is his responsibility.

Group Earnings

Equally important, if not more so, is the statement of group earnings by companies (net before tax). This, it will be seen, identifies the separate sources of income and the income they produced. It provides a level comparison by drawing the line below those companies owned by Grampian Holdings for a full year and continues in the 1961 column the same information in respect of acquisitions during the year. And the totals, allowing for the fact that the statement is approximated to thousands, can be followed through to the group's consolidated profit and loss account.

Grampian now has seventeen direct subsidiaries, says Sir James Hutchison, and to meet the administration of the growing group, related companies are being brought together under sub-holding companies. Grampian Textiles, for instance, itself has five subsidiaries covering weaving from the factory to the Scottish croft looms.

Group policy in future will give preference to acquiring companies related to existing holdings but 'where the opportunity appears to be attractive', policy will be adaptable. Common Market prospects are being followed up. 'A limited extension of our activities in Europe has been arranged by an investment in two publishing companies located in France and Germany'.

The Purpose

Referring to the purpose behind the formation of the holding company, Sir James says that Grampian furnishes a method of meeting death duty and surtax requirements which otherwise could have a very serious effect on a company's future. It also helps to solve succession problems.

So far as is prudent, management of concerns acquired is left undisturbed. Sellers frequently take some part of the purchase price in shares and management can thus preserve that feeling of vital interest in enterprises in which, in many cases, they have spent their lives.

There is one further aspect of this holding company unity. A group can maintain a body of professional specialists that might well be beyond the capacity of the individual interests within it.

Notes on the Accounts *31st December 1961*

These notes form part of the Company's Accounts and are given to comply with the requirements of the Companies Act 1948

1 Issued Capital—Parent Company and Group

The Capital of Grampian Holdings Limited has been increased during the year to 31st December 1961 as follows

7 per cent Cumulative Preference Shares of £1 each fully paid

145,000 Shares at par as part consideration for the acquisition of shares in Subsidiary Companies	£145,000

Ordinary Shares of 5s. each fully paid

303,420 Shares at varying premiums as part consideration for the acquisition of shares in Subsidiary Companies	£75,855

2 Share Premium Account—Parent Company and Group

The increase of £277,832 represents The premiums on the 303,420 Ordinary Shares referred to above	£277,832

3 Capital Reserves—Subsidiary Companies—Group

The increase arises from the appropriation of £5,500 shown in the Profit and Loss Account and a surplus of £2,750 on the realisation of certain investments.

4 Future Income Tax—Group

The amount set aside for future Income Tax represents the estimated 1962-63 Schedule D Assessments with the exception of 3 companies liable under the new business provisions of the Income Tax Acts where approximately two-thirds of the 1962-63 estimated liability has been appropriated as shown in the Profit and Loss Appropriation Account. The amounts charged in the Profit and Loss Account are based on the profits of the year.

5 Loans—Group

The Loan of £30,000 is secured over Buildings and Life Policies on Directors' lives of one of the Subsidiary Companies. Premiums paid to date on the life policies aggregate £23,521 and are included in Sundry Debtors.

6 Fixed Assets—Group

These are arrived at as follows:	*Cost or Valuation*	*Depreciation*	*Book Value*
Land and Buildings	£	£	£
Freehold and on Feued Land			
at cost	399,720	49,592	350,128
at valuation in 1959 plus additions at cost	98,577	6,158	92,419
at valuation in 1960 plus additions at cost	115,000	—	115,000
	£613,297	£55,750	£557,547
Leasehold			
at cost	41,187	23,279	17,908
at valuation in 1959 plus additions at cost	104,192	8,803	95,389
	145,379	32,082	113,297
	£758,676	£87,832	£670,844
Plant and Machinery and Motor Vehicles			
at cost	1,218,613	472,050	746,563
at valuation in 1959 plus additions at cost	126,801	27,040	99,761
	£1,345,414	£499,090	£846,324
Fixtures, Fittings and Equipment			
at cost	172,715	70,684	102,031
at valuation at 31st December, 1961	10,447	—	10,447
	£183,162	£70,684	£112,478

7 Subsidiary Company Balances—Parent Company

The balances due to or by Subsidiary Companies at 31st December, 1961 have been adjusted for Dividends since declared.

8 Profit and Loss Account—Group

The Group Trading Profit, Income from Investments (gross), Depreciation on Fixed Assets, and Bank Overdraft Interest for the year have been arrived at, where necessary, by apportioning on a time basis accounts of Subsidiary Companies for periods other than the 12 months to 31st December, 1961. Accounts for all Companies in the Group have been prepared at 31st December 1961.

In the case of A. B. Hornall Ltd., the Trading Profits and Depreciation for the year 1961 have been arrived at by including the profits of the predecessor firm from 1st January, 1961 to the date of incorporation of the Company (on a time basis) adjusted for Directors' Remuneration and certain other charges on the basis of the arrangements now in force.

The amount applicable to periods prior to acquisition by the Parent Company of £49,286 includes the sum of £1,506 which has been retained by the Vendors and is therefore not available to the Group.

9 Directors' Remuneration—Parent Company

The emoluments of the Directors of Grampian Holdings Limited are as follows

1960		1961
£5,482	As Directors	£6,333
£3,570	As Executives	£6,035
£9,052		£12,368

10 Audit Fee—Parent Company

The amount charged in the Accounts is £325.

11 Commitments for Capital Expenditure—Group

The Group Commitment is estimated at £43,000.

12 Share Options—Parent Company

27,650 Ordinary Shares of 5s. each in the capital of the Company are under option in terms of the Option Scheme approved by the Members in Annual General Meeting on 1st May, 1961 at the middle market quotation on the dates of grant of the options.

Summary of Results

Earnings of Group by Companies (Net before tax)

	1961 £	*1960 £*
COMPANIES OWNED FOR FULL YEAR		
Lanarkshire Bolt (Holdings) Limited	130,000	*120,000*
Fleming Brothers (Structural Engineers) Limited	20,000	*8,000*
Revel Industrial Products Limited	35,000	*55,000*
MacDonalds Tweeds Limited	18,000	*61,000*
Kego Electric/New Endeavour Engineering Limited	68,000	*85,000*
Rose, Morris and Company Limited	44,000	*41,000*
Hall Electric Limited	174,000	*161,000*
W. H. Malcolm Limited and Subsidiaries	152,000	*120,000*
Alexander Ferguson (Engineers and Brassfounders) Limited	10,000	*9,000*
	651,000	*660,000*
Parent Company expenses including Bank Overdraft interest	62,000	*77,000*
	589,000	*583,000*
ACQUISITIONS IN 1961		
Robert Laidlaw and Sons Limited	40,000	
Millard Brothers Limited	78,000	
Lumitron Limited	37,000	
Leonard Hill Limited	63,000	
A. B. Hornall Limited	37,000	
Charles (Wednesbury) Limited	73,000	
	917,000	
Parent Company expenses including Bank Overdraft interest	31,000	
Total profits for Group as constituted at 31st December 1961	£886,000	*503,000*

Percentage earnings per ordinary share	79%
Number of employees	3,500
Total Sales	£11.1 million
Export Sales	£1.5 million
Number of Ordinary Shareholders	3,400
Number of Preference Shareholders	530

CITY NOTES

SENSE and sentiment, instinct and intuition are part and parcel of the City's stock-in-trade. There is currently being displayed in the stock-markets the City's instinct for sensing brighter economic conditions despite, rather than because of, Government policy.

Mr W. Lionel Fraser, in his capacity as chairman of the Thomas Tilling industrial group, but calling on his knowledge as a leading merchant banker, is on record this week as saying that 'the growth in the country's economy has hitherto disappointed me, but I feel that it is now improving, and beyond this lies the prospect of the stimulus which we anticipate if Britain joins the European Common Market'.

This feeling that conditions are improving is behind the post-Budget buoyancy of the industrial equity market – or at least the greater part of the market.

Where the danger lies, as the City sees it, is in Government policy too closely wedded to the Treasury statistical line and too dependent upon the National Economic Development Council to come up with some economic formula for growth.

Traditionally the stock-market begins to discount events six months ahead and is therefore already tending to discount economic improvement expected to show signs of settling in in the autumn. Whether it sets in or not depends on the timing of more positive Government economic policy.

RATES AND PRICES

Closing prices, Wednesday, April 25th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

June 23, 1960	6%	Oct. 5, 1961	6½%
Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%

Treasury Bills

Feb. 16	£5 9s 10·81d%		Mar. 23	£4 9s 0·47d%	
Feb. 23	£5 10s 7·47d%		Mar. 30	£4 8s 1·16d%	
Mar. 2	£5 10s 11·26d%		April 6	£4 7s 4·62d%	
Mar. 9	£5 0s 5·89d%		April 13	£4 6s 8·54d%	
Mar. 16	£4 17s 7·57d%		April 19	£4 5s 4·31d%	

Money Rates

Day to day	3⅜–4⅜%	*Bank Bills*	
7 days	3¼–4⅜%	2 months	4 7/16–4½%
Fine Trade Bills		3 months	4 7/16–4½%
3 months	5¾–6½%	4 months	4 7/16–4½%
4 months	5¾–6½%	6 months	4 7/16–4 9/16%
6 months	6–7%		

Foreign Exchanges

New York	2·81 5/16–⅜	Frankfurt	11·25–¼
Montreal	2·95¼–½	Milan	1745¾–6¼
Amsterdam	10·12⅝–⅞	Oslo	20·05¼–¾
Brussels	140·09¼–¾	Paris	13·78½–¾
Copenhagen	19·39½–¾	Zürich	12·22⅝–⅞

Gilt-edged

Consols 4%	63¼	Funding 3% 59–69	83¾
Consols 2½%	40¾	Savings 3% 60–70	80 5/16
Conv'sion 5¼% 1974	93⅜	Savings 3% 65–75	71¾
Conversion 5% 1971	92⅜	Savings 2½% 64–67	87 3/16
Conversion 3½% 1969	86⅜	Treasury 5½% 2008–12	89 9/16
Conversion 3½%	55½	Treasury 5% 86–89	84 1/16
Exchequer 5½% 1966	100 7/32	Treasury 3½% 77–80	71¾
Funding 5½% 82–84	92 3/16	Treasury 3½% 79–81	70 9/16
Funding 4% 60–90	88⅛	Treasury 2½%	40⅜
Funding 3½% 99–04	61 11/16	Victory 4%	97
Funding 3% 66–68	85 15/16	War Loan 3½%	55 3/16xd

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Training of Accountants

SIR, – In his concluding remarks on 'Training for the profession – fact and fantasy' (April 7th issue), Mr R. J. Carter warns of the danger that the profession may die with its head in the clouds. If the arguments he uses are representative of the thinking of those responsible for the future development of the profession (and I cannot believe that they are), it is more likely to die with its head buried in the sand.

Mr Carter is misinformed when he states that professional qualifications in the U.S.A. are obtained by degree courses at a university with no practical experience. The C.P.A. designation does not require university attendance, but it does require passing an examination, and a period of practical experience in public accounting, the length of which varies with individual States. Many students take university degrees with an accounting major, which earns them credits towards their C.P.A. examinations. When these students join public accounting firms, the larger ones put them through a practical training course to acquaint them with the practices and procedures of the firm. After a suitable period of practical experience, they take the C.P.A. examination. Thus while his American colleague is taking a university course, the average articled clerk in Britain is busy adding columns of figures, checking postings, preparing bank reconciliations, and vouching. Why the defenders of the present system cling to the belief that this type of drudgery fits the student better for his career, whether it be in the profession or in industry, than does a university degree, has always been to me one of life's great mysteries.

Mr Carter implies that success at university is more

dependent on the 'goading of personal tutors' than on personal self-discipline and initiative. This argument is plainly absurd, because the whole emphasis in university training is on self-organization and self-reliance, and many students benefit from university training without taking a degree. By contrast, the *sole* object of correspondence tuition is to cram the student through the examinations, which Mr Carter rightly condemns as a degrading influence. Even more degrading is the semi-annual spectacle of the conflicting and overlapping advertising claims of the leading tutors, regarding the proportion of successful examinees coached by them, and the activities of one correspondence college which blatantly solicits business on the basis of 'No pass – No fee'.

Mr Carter's case would be more convincing if he had presented it objectively, rather than attempting to defend established positions at all costs. He might then have avoided the disdainful reference to a 'theoretical industrial accountant', whatever that may be. If there is one field of endeavour where the practical approach is essential, it is in the area of industrial accounting, as those who leave the cloistered seclusion of the profession for the hurly-burly of industry soon find out. At the present time, the articled clerk's training makes no provision for this, despite the fact that the majority of today's articled clerks go into industry after qualifying.

Those who want to change the system of articles have not suggested the abolition of practical experience as a prerequisite to professional qualification. What they have suggested is a higher standard of education for entry to the profession. The present system places too much emphasis on the narrow vocational aspect, and not enough on the broader aspects of business education, and the development of creative thinking. It is no longer adequate to take grammar school boys, to teach them book-keeping, auditing and company law, and expect them to face the business world of the future. The business man will expect much more of his accountants. If he cannot get what he wants from his accountant, he will turn to someone else. Unless we realize this now, we may one day find ourselves supplanted by non-accountants with a more liberal business training.

Yours faithfully,

Montreal, Canada. J. A. REDMAN, A.C.A.

SIR, – I have been fascinated and at times horrified by the correspondence and articles which have appeared on the subject of professional education in the last few months. I have now worked for two large industrial concerns, in both of which the same general situation exists:

(*a*) A considerable number of important 'accounting' jobs are being done by graduates with no professional training.

(*b*) Those responsible for recruitment of 'qualified' accountants complain of a shortage of suitable candidates.

This situation indicates something that the profession seems to be slow to accept, i.e. that the requirement for a responsible job in a complex situation is for a person with intelligence, whose mind has been trained to think rather than one who has a modicum of technical competence in the use of the Companies Act.

This requirement is, of course, just as important for professional partners as it is for captains of industry.

It is not suggested that experience in a professional firm as a forerunner to employment in industry should be omitted. However, I see no particular virtue in spending that period with one firm or in the necessity for a contract in the form of articles.

If articles were swept away there would be no change in the situation, i.e.:

(1) Demand for future partners and managers in the profession would see to it that those firms that needed them most would get the best people, probably graduates.

(2) The demands of industry on these men after a few years with one or more firms would ensure that the profession rewarded adequately those it wished to keep.

Those who sought a qualification other than their degree, because they wanted to practice, for example, could take the professional examinations.

This examination, as in the case of the first degree for doctors or solicitors, simply helps to ensure that the practitioner will be able to offer the public a certain minimum technical competence – and no more. It is of no particular significance to the industrialist looking for talent. As an examination it is not designed to give as useful an indication of intellectual ability as the result of an honours examination at a university.

The industrialist looking for an accountant will normally want:

(i) a suitable academic standard – probably with economics and accountancy having formed some part of the studies,

(ii) practical experience of accountancy of as varied and senior nature as can be obtained.

Such experience will readily be given by the profession to an able man if he is free to leave at any time. This means that at the present time many men are not given this kind of experience until after their articles have expired. It is easy to spot men who have been treated in this way – when they now frame advertisements for accountants they invariably ask for at least three years' post qualification experience.

I was personally very lucky in my articles – I had only one wasted year out of three. I had two years of invaluable experience. But this arose not as a result of that peculiar relationship which is said to exist between articled clerk and principal, but because my principal was a busy man who was prepared to delegate to anyone willing and able to accept delegation.

My conclusions are these:

(1) The Universities Scheme has performed an

invaluable function by getting accountancy introduced as a university subject in many cases at honours level. Having done this it serves no further useful purpose.

(2) Articles for graduates should be abolished.

(3) Qualification as a chartered accountant should be modified to include, say, three years' experience with a firm or firms approved by the Institute (not necessarily all firms of chartered accountants).

(4) Industrialists should cease worrying about whether a man is a chartered accountant or not but should recruit graduates and arrange for them to spend, say, two years with suitable firms of accountants until the profession takes over this function for them.

It is vital for the profession that it gets its share of the best brains in the country – it must go to the universities for the majority of these people. Unless it is careful, industry will syphon off these people first.

Yours faithfully,

Grays, Essex. J. D. CORMIE, M.A., A.C.A.

Deposit Account Interest

SIR, – We are writing to ask if any of your readers have experienced a similar difficulty to our own.

A client of ours has a deposit account at Lloyds Bank Ltd, and she did not ask for interest to be credited to the account when she called at the bank, although in fact her pass-book was presented each month for specific entries to be inserted which were paid direct to the bank.

After some four years we asked if she could obtain the exact amount of interest credited to her account in order that income tax affairs could be correctly dealt with, and the four years' interest was credited in a lump sum.

The Revenue now seek to tax our client on the lump sum received in one income tax year. Their argument is that Lloyds Bank differs from the other 'Big Five' in that it does not credit interest until it is asked for by a customer, and neither does the customer receive interest on the interest for the years in which it was not credited.

It seems to us to be completely inequitable that one large bank should be out of line with the other 'Big Five', and also the Post Office and Trustee Savings Banks.

Have your readers any observations?

Yours faithfully,

SANDERS, MILLICHAMP & CO.

Wolverhampton.

Commencement and Cessation

SIR, – I act for a milk roundsman who has carried on business in a very small way for a number of years. Recently my client extended his business by purchasing a half of the goodwill of a neighbouring round, the other half of the round was purchased by a large multiple concern.

I prepared accounts for my client without separating the newly-acquired 'business' and with tongue in cheek submitted to H.M. Inspector of Taxes the accounts and computation prepared on preceding year basis. As was expected, H.M. Inspector stated that there had been a succession and that the commencement provisions should apply. I had reason to believe, however, that the multiple concern who had purchased the other half of the connection would not apply the commencing provisions when submitting their accounts to H.M. Inspector of Taxes; I therefore asked the Inspector for an explanation and received, *inter alia*, the following reply:

> 'In the case of some multiple concerns, there may be an informal arrangement not to apply the commencing and cessation provisions, this is purely for convenience and does not establish a precedent'.

Can it really be true that the law which can be applied to the small trader need not necessarily be applied to the large concern?

Yours faithfully,

Doncaster. D. W. SAUNDERS.

Assessment Query

SIR, – Will any of your readers please be kind enough to solve the following query?

A company's trade ceased in 1960–61 but a notice of assessment for 1961–62 on an estimated sum was issued against which the company did not appeal. Does, in such circumstances, the 1961–62 assessment become final, conclusive and binding on the company? Or is the assessment considered invalid?

Yours faithfully,

London W8. R. V. MANIAR.

How to Decimalize the Currency

SIR, – The point made by Mr William Phillips in his article in *The Accountant* of April 14th that, owing to the natural tendency of human beings to think in halves and quarters is so irresistible that every country which has a so-called decimalized currency also has coins or notes for two units, and sometimes four, and for half a unit and a quarter, is one which seems to be almost universally overlooked by the ardent decimalizers in this country, and I feel the author is to be congratulated on having brought it to our attention.

Another common misapprehension suffered by the multitude of people who rush into print on the subject of decimalizing the currency is their failure to have realized that there is an important distinction between decimalized divisions by groups and subgroups such as 10 cents to the dime and 10 dimes to the dollar, which, of course, we have not got with our 12 pence in the shilling and 20 shillings in the pound, and the decimal scale of notation, which, in common with the decimalized countries, we use when we write £67 18*s* 11*d*, since we have no single symbol to express 10*d* or 11*d*, or any quantity of shillings from 10*s* to 19*s*. The Americans have both decimalized divisions and the decimal scale of notation, as in $67·75, as have the countries of Europe, and it is the

combination of the two that is now proposed for us.

What A. C. Aitken, Professor of Mathematics at Edinburgh University, is arguing for is a duodecimal scale of notation, and over the years he has shown again and again how much faster mental arithmetic would be in this scale. What Mr William Phillips has been arguing for since 1936 is the octonary scale of notation for scientific and technical purposes, already seen in a crude form when the mechanic and the carpenter insist on using halves, quarters, eighths and sixteenths of an inch, and so on, and the housewife is accustomed to have four gills to the pint, two pints to the quart and four quarts to the gallon. We shall look rather silly if we decimalize our currency at the very time when, as the experts believe, we are on the threshold of abandoning the decimal scale of notation in two important respects.

Yours faithfully,

London WC2. W. H. CUTTRISS.

SIR, – In his lively contribution to your issue of April 14th, Mr Phillips reminds us that decimalization of the currency has hitherto seemed to present us with the alternatives of retaining the £ and abandoning the penny or of retaining the penny and abandoning the £.

There are powerful objections to both these alternatives but Mr Phillips has made an ingenious and valuable suggestion whereby we could retain the penny and also retain the £ in decimalized form. When we think of currency we tend to think only of its use in day-by-day transactions in the market place. In this way it is often overlooked that in such matters as industrial assurance and national insurance the currency units have been employed in the expression of millions of long-term contracts and obligations. National insurance and friendly society contributions are expressed in the small units of currency (shillings and pence) while the benefits are expressed in the larger units (pounds and shillings). If some of the payments under a long-term contract have been made in a currency unit which is not available for the remaining payments an adjustment of the contracts is necessary and this adjustment is complicated by the fact that the relation between the number of past payments and the number of future payments will vary according to the length of time the contracts have been in force.

Provision for the adjustment of millions of industrial assurance contracts, friendly society obligations, etc., is a very considerable difficulty in the way of the decimalization of our coinage. Mr Phillips's suggestion to retain the penny with a duodecimal relationship with the half-florin overcomes the difficulty of adjusting millions of long-term contracts and goes far to give us the best of both worlds with twelve pennies to the shilling (or 'half') and the £ retained in decimal form: 10 'halves' = £1.

Yours faithfully,

H. HOSKING TAYLER.

Fawkham Green, Kent.

SIR, – I have read numerous accounts on methods which might be used to decimalize our currency, not the least of which was the joint report of committees appointed by the British Association and the Association of British Chambers of Commerce. I have heard and read suggestions that the existing pound should be the new basic unit or £5 or 10*s* or 8*s* 4*d* or even a florin, but I am at a loss to understand why no one has suggested a new 5*s* unit.

A new unit which I suggest should be called a 'Royal' of value 5*s*, subdivided into 100 cents would produce a cent valued at ·6*d*. In my view this is near enough to our present halfpenny to meet fully the requirements of those of us, particularly in the retail trade, who favour the retention of a coin of this value.

Conversion to this form of pure decimal currency, involving only one decimal point and eliminating all fractions, would be eminently simple as the following table shows:

1 cent	= ·6*d* (say, ½*d*)	20 cents	= 1*s*
2 cents	= 1·2*d* (say, 1*d*)	40 cents	= 2*s*
5 cents	= 3*d*	50 cents	= 2*s* 6*d*
10 cents	= 6*d*	100 cents or 1 Royal	= 5*s*

The differences in values between the one and two cent pieces and our present halfpenny and penny respectively are so small that in my view they can be disregarded. After all it has just been decided to abolish as worthless the farthing, or ·25*d*.

It will be seen that all our existing coinage can be used in exactly its present form thus eliminating enormous expense in the conversion of slot machines. During the conversion period new issues of these coins could be stamped with the old and the new values until such time as new values became familiar to everyone.

The new basic unit, the Royal, is of a value which has been well tried and found not to be wanting. It is, after all, not very different from the United States dollar.

Conversion of accounting machinery to a system involving only one decimal point, with never more than two digits after the point and eliminating fractions, would be relatively cheap, though I admit that the present capacity of all such machines based on the pound would be quartered. The sufferers from this disadvantage would, in the main, be big companies who are in a much better position to meet the cost and the inconvenience than are small users.

Our postage stamps would require to be altered and we should have only five stamps from one cent to five cents inclusive instead of the present six from a halfpenny to threepence.

Finally, as a retailer, I would stress the importance of maintaining a unit of currency similar to the halfpenny. The impact on the cost of living, particularly in the field of foodstuffs, will be tremendous if such a unit were to be abolished at the present time.

Yours faithfully,

J. R. SPEED,
Managing Director,
JOHN SPEED & CO LTD.

Rotherham.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Monthly Salaries Loan Co Ltd *v.* Furlong

In the High Court of Justice (Chancery Division)
March 14th, 1962
(Before Mr Justice WILBERFORCE)

Income tax – Moneylender – Reserve for future expenses of collection – Whether sum reserved deductible – Income Tax Act, 1952, section 137 (i).

The appellant company carried on business as a moneylender, and its loans were generally for one year though they could be for a shorter period or as long as eighteen months. The capital consisted of the money it lent and it was for most of the time out at risk. The company maintained a collecting and legal staff. The profit consisted of interest received on the loans less the expenses of obtaining the interest. When a loan was made, the full amount payable in respect thereof (both principal and interest) was debited, but interest not then due was not credited to the profit and loss account, but only interest actually then payable. The debits to profit and loss account were primarily the expenses of collection incurred in the accounting period in question and an amount for bad debts.

The appellant claimed to be entitled also to deduct an amount as a reserve for expenses to be incurred in future years in the collection of outstanding loans. The amount was calculated by a formula, the object of which was to ascertain the portion of the collecting expenses which would be incurred in the future, and which related to the capital element in the loans. No portion of the collecting expenses in respect of the interest element in the loans was included in the formula, as the interest was not brought into the profit and loss account until it was actually received.

The Special Commissioners decided that the sum claimed was not deductible for tax purposes.

Held: the Special Commissioners' decision was correct.

Wellington *v.* Reynolds

In the High Court of Justice (Chancery Division)
March 15th, 1962
(Before Mr Justice WILBERFORCE)

Income tax – Back duty – Wife's business – Assessments on husband – Whether fraud or wilful default by husband – Income Tax Act, 1952, sections 47 (1), 504 (2).

The appellant was assessed for 1936–37 to 1948–49 under Case I of Schedule D in respect of the business of an innkeeper carried on by his wife. The appellant had his own businesses, and also some income in the form of rents from houses.

The appellant made returns in respect of his own income and also of the profits of his wife's business, from 1930 to 1947. In 1957, the Inland Revenue ascertained that the appellant's wife had maintained a deposit account from 1921 onwards in her maiden name, that a deposit of £6,000 had been made in 1947, and that other sums had been deposited in amounts of about £100 over the years. A back duty inquiry was then begun and the appellant's wife stated that the money deposited in the account represented accumulated cash, which she had kept in a tin box in the house, and also represented a bet which had been placed by her mother on a Derby winner. The assessments were made on the footing that fraud or wilful default had been committed by or on behalf of the appellant's wife, and that therefore the proviso to section 47 (1) of the Income Tax Act, 1952, was applicable.

The appellant appealed against the assessments, and gave evidence before the General Commissioners, but his wife did not attend the hearing, and a medical certificate was produced showing that she was unwell. The General Commissioners did not accept the explanation given by the appellant's wife during the course of the investigation as to the origin of the sums in the deposit account, and they confirmed the assessments on the appellant.

Held: there was no evidence pointing to the conclusion that the appellant had had guilty knowledge of the acts of his wife in relation to the subject-matter of the appeal, such as to entitle the General Commissioners to conclude that there had been wilful default on his part; and that the assessments should be discharged.

Jamieson *v.* C.I.R.
Wills *v.* C.I.R.

In the Court of Appeal – March 27th, 1962
(Before Lord Justice SELLERS, Lord Justice DONOVAN and Lord Justice PEARSON)

Surtax – Settlement on children – And on their wives, husbands, widows or widowers – Whether settlement terminable – Whether settlement irrevocable – Finance Act, 1958, section 404 (2) – Income Tax Act, 1952, sections 397, 398, 399.

In 1950 the respondent made a settlement in favour of his one child then living and of future born children 'and otherwise as hereinafter mentioned'. The settlement was to continue till the end of twenty-one years from the death of the survivor of the child and the settlor's wife. The trust fund was settled on issue (including children thereafter to be born) of the settlor, and the wives, husbands, widows or widowers of such issue. The beneficiaries took such shares as the trustees at their discretion should from time to time appoint. The trustees also had power to release or restrict their power of appointment. The trustees had not exercised their power to release or restrict

their power of appointment. The trustees had not exercised their power of appointment, nor their power to release or restrict it, and they had accumulated the trust income during the relevant years. At the time of the appeal the settlor had three children, all of whom were infants. Surtax assessments were made on the appellant for 1955–56, 1956–57 and 1957–58 on the footing that the settlement income fell to be treated as his income.

It was contended on behalf of the appellant that the settlement was irrevocable within the meaning of section 399 of the Income Tax Act, 1952. It was contended on behalf of the respondents that the settlement could be determined because the trustees could appoint the whole of the trust fund absolutely in favour of a particular beneficiary; and that the settlement was revocable for the purposes of section 399 because it was thus determinable. The Special Commissioners decided in favour of the respondents.

Held (Lord Justice Sellers dissenting): the special power of appointment was not a provision for the determination of the settlement, and that the settlement was irrevocable within the meaning of that word in section 399.

Walter W. Saunders Ltd *v.* Dixon

In the High Court of Justice (Chancery Division)
March 30th, 1962
(Before Mr Justice WILBERFORCE)

Income tax – Petrol station – Tie agreement with oil company – Reimbursement of sums expended on sales promotion, co-operative advertising and dealer display – Payment for constructional work – Payment for tie – Whether these payments capital or revenue payments.

The appellant had previously carried on business as a garage owner, but the premises were compulsorily acquired, and the company had to find new premises. It contracted to buy a petrol station, and thus became liable for expenditure greatly in excess of the compensation money it received for its previous premises. In order to obtain financial assistance, the appellant made an agreement on October 5th, 1954, with the Regent Oil Co Ltd (ROC), and there was evidence that it was known to ROC that the money payable by that company was needed for that purpose.

The agreement provided for a maximum sum to be paid over a period of years by way of reimbursement of money spent on sales promotion, co-operative advertising and dealer display, and in connection with the sale of ROC's products. The agreement provided for the tie, but there was no provision relating the sums payable by ROC to gallonage. On the same day a letter was written by ROC suggesting that the proposed work at the garage 'for the purpose of sales promotion, co-operative advertising and dealer display in connection with the sale by you of our products' should be effected. The letter also stated that the oil company appreciated that an advance of money would be needed and that it agreed to advance a sum not exceeding £10,000 conditionally upon reasonable evidence in respect of the work being produced. Two months later ROC, by direction of the appellant, paid £5,000 to the contractors engaged by him to carry out the alterations to the new premises, and on March 4th, 1955, ROC, again by the direction of the appellant, paid £2,000 to the contractors. It was agreed that those sums were spent on structural alterations. On the same day, by another letter, ROC increased the £10,000 to £15,000, and, again on the same day, ROC paid, by direction of the appellant, £6,505 6*s* 11*d* to the appellant's solicitor as the balance of the price of the new premises. On February 15th, 1956, a third letter passed between the parties, in which it was agreed that a further sum up to £5,000 should be paid, and this letter was in the same terms as the previous ones. On February 9th, 1956, ROC paid £6,494 13*s* 1*d* to the appellant, and this sum made up the total of £20,000 provided for in the original agreement.

It was contended by the respondent that having regard to the references to sales promotion, co-operative advertising and dealer display expenses, and to the making of the tie, the sums received by the appellant were received on revenue account. It was contended by the appellant that these sums were capital receipts. The Special Commissioners decided in favour of the respondent.

Held: the sums in question were capital receipts of the appellant except that part thereof relating to advertising. It was agreed, however, on behalf of the respondent, that the whole of the sums in question should be treated as of the same character, namely, capital expenditure.

Bispham *v.* Eardiston Farming Co (1919) Ltd

In the High Court of Justice (Chancery Division)
March 29th, 1962
(Before Mr Justice WILBERFORCE)

Income tax – Farming – Two farms up to a certain date – One farm then disposed of – Unexhausted losses of latter farm – Unexhausted capital allowances – Whether one trade or two trades carried on – Finance Act, 1941, sections 10, 11 – Income Tax Act, 1952, sections 124, 152, 342.

The respondent company carried on a farming business at Eardiston and on January 31st, 1956, it acquired another similar farm in Scotland. On May 3rd, 1956, it disposed of the Eardiston farm. At January 31st, 1955, the losses on that farm amounted to £16,645; and the unexhausted capital allowances in respect of that farm up to 1954–55 amounted to £4,942. The company claimed that it had carried on only one trade all along; and that it was entitled to set the total loss and the total unexhausted capital allowances against its profits from the farm in Scotland.

Held: the company had carried on only one business all through; and that its claim in respect of the losses and the capital allowances was valid.

Electronics in the Office

Vickers Order Two Computers

ORDERS worth more than half a million pounds have just been placed for a Ferranti Orion computer and an I.C.T. 1301 data processing system computer to be installed at the northern works of Vickers-Armstrongs (Engineers) Ltd. The Ferranti computer, whilst dealing with routine commercial requirements, will be used progressively for technical data processing and scientific calculations and investigation. The I.C.T. system will also handle some technical work but will be mainly devoted to commercial and administrative data processing applications. Both computers will be used to serve the group's other companies.

The decision to install systems of different manufacture enables computing to be undertaken simultaneously in different departments of the company and gives opportunity for computer operators to gain a wide experience of advanced systems.

E.D.P. in Local Government

AS a further stage in the mechanization of their records, Hampshire County Council is to install in the County Treasurer's Department, Winchester, an N.C.R. 315 electronic data processing system at a cost of approximately £128,000.

Work which has not yet been mechanized and which is now done separately by different departments will be merged into one electronic system. During the processing of day-to-day transactions involving payments to nearly 9,000 regular creditors, the computer will automatically compile information for the monthly analysis and control of expenditure. The payroll and salary accounting will cover over 17,000 weekly- and monthly-paid staff employed on the many services provided by the County Council and will produce not only pay documents, but all related reports, analyses and statistics. As an automatic by-product of this work, labour charges will be extracted, analysed and fed into the costing system.

Other proposed applications include the analysis of income; highways costing; bank reconciliation; mortgagees' records; the production of statistics for all departments of the County Council; and other administrative procedures such as the maintenance of school medical records and the analysis of school examination results.

In all these applications, full use will be made of CRAM, the random-access memory with which the 315 system is equipped. Information will be stored on special magnetic cards housed in interchangeable cartridges, each giving split-second access to over 5½ million alpha-numeric characters. Because cartridges can be changed in a matter of seconds, the use of CRAM will reduce the cost of the installation and save office space.

Working documents and reports will be produced at speeds of up to 900 lines per minute by a printer directly controlled by the 315 central processor.

Northamptonshire County Council is also to use an electronic computer to reduce its clerical and administrative costs. The computer, a National-Elliott 803, will be installed in the Treasurer's Department at County Hall, Northampton, this summer.

Initially the computer will deal with the payment of accounts and the analysis of expenditure over about 6,000 budget heads. As soon as this is running, the machine will start to produce pay documents and records for the council's 8,000 employees.

Other work now being planned includes a comprehensive system of cost analysis and control, and the production of statistics for the education and medical departments. In all cases up-to-date records will be stored on reels of magnetic film which make up the 803's electronic memory.

It is expected that there will still be spare machine capacity, and it may ultimately be possible to undertake work for other local authorities in the county.

The Lancashire County Council have decided to replace their I.C.T. 555 punched-card computers by two I.C.T. 1301 computers. The larger scale machines are required in order to process the increasing accounting, costing, statistical and payroll work necessitated by the Council's budget of some £81 million and a payroll of some 55,000 personnel, of whom approximately 50 per cent are weekly wage earners.

The decision to acquire the new machines was made after a thorough study of work requirements and a survey of computers available carried out by the County Treasurer, Mr Norman Doodson, F.I.M.T.A., F.S.A.A.

New O.E.C.D. Computer Study

THE English version has now been published of a new O.E.C.D. study *Seasonal adjustment on electronic computers*[1] comprising papers given at an international conference sponsored jointly by O.E.E.C. and E.C.E., and held in Paris in 1960.

The last six years have seen a break through in the use of electronic computers for processing economic time series on a mass production basis. The development in the theory and practice of seasonal adjustment has been correspondingly rapid, and the new study provides for the first time a comprehensive description of modern practice in this field, with references to material published elsewhere.

One group of the papers included describes the methods of seasonal adjustment in current use. Other papers deal with related theoretical problems, including the separation of trend, seasonal and irregular components, time- and trend-conditioned moving seasonality, and the properties of moving averages.

Designed for the use of economists and official analysts, with a knowledge of new techniques, the volume can be considered as a useful new budgetary and forecasting tool.

[1] H.M.S.O. Price 55*s* (postage 1*s* 2*d*).

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

FIFTY-SEVENTH ANNUAL GENERAL MEETING

The fifty-seventh annual general meeting of The Association of Certified and Corporate Accountants was held in London on April 17th with the President, Mr G. L. Barker, F.A.C.C.A., in the chair.

Extracts from the report of the Council for 1961, presented for adoption, appeared in *The Accountant* of April 7th.

PRESIDENT'S ADDRESS

In the course of his address the President said:

It is customary to refer first on these occasions to changes in the constitution of the Council during the year and in this connection I have to mention the resignation of Provost Macfarlane Gray and to express our appreciation of his services to the Association for so many years. I know that Provost Macfarlane Gray regrets this as much as we do, but you will recall that shortly after his term of office as President of the Association came to an end, he was elected Provost of the Royal Borough of Stirling. The office of Provost in Scotland is for a period of three years and his tenure of it accordingly ceased last year. He was, however, unanimously re-elected for a further term and the duties of the office are naturally such as to make it virtually impossible for him to attend meetings of the Council with any regularity. During his first term as Provost the position was met by a grant of special leave of absence, but Provost Macfarlane Gray feels that it would be unfair to the Association and to the Council for that position to continue and in these circumstances he asked us with regret to accept his resignation. This the Council has done with equal regret and I am sure that I am speaking for all my colleagues, as well as for all my fellow-members, when I say that we should like to place on record at this annual general meeting our sincere appreciation of his outstanding services to the Association, both as a member of Council and as President, particularly in the Association's jubilee year over which he presided with such distinction. His public services were recognized by the award of the O.B.E. last year and I am certain that you will all wish to join with me in expressing to him and to Mrs Macfarlane Gray our most cordial good wishes for their future health and happiness. (*Hear, hear.*)

Annual Report

The annual report of the Council and the accounts of the Association for 1961 have been circulated and you will no doubt be prepared to take them as read. Is that agreed? (*Assent signified.*) My next formal duty is to move the adoption of the report and accounts but before I do that there are several matters of importance to which I wish to draw your special attention.

Membership

The membership of the Association continues to progress satisfactorily. It is true that the number of new members is rather lower than last year, but the Council is satisfied that this is a perfectly normal fluctuation and reflects no adverse trend. This view is, I think, amply confirmed by the increase in the number of our registered students, which is now the highest in the history of the Association. It is, indeed, the case that such an increase is necessary, because the wastage among registered students is appallingly high. A glance at the percentage of failures at our examinations will indicate just how high and it is a matter about which the Council is seriously worried. There has been a further fall in the pass percentage during 1961 and this has served to revive an old bogy of which several of my predecessors have attempted to dispose – apparently in vain. This is the suggestion that the Council artificially restricts the number of passes. The answer to this has frequently been given in the past and the answer is still the same, namely, that we do not and I have said this on many occasions. In any event we should regard such a practice as wholly immoral and grossly unfair to our students. The object of the Association is to gain members, not to turn them away, but we require as members only those who can conform to certain standards of achievement, which – I may say – we have no intention of reducing.

I indicated that we were seriously worried about this matter and I want to assure you that this is no mere perfunctory expression of concern. We are most seriously perturbed and, in particular, by the results shown at the Intermediate examination. We have accordingly appointed an *ad hoc* committee whose duty it will be to investigate the reasons for this state of affairs and to make suggestions for remedying it.

There are those who assert that the reason for these failures is perfectly obvious, namely, that students do not work hard enough. This is, no doubt, true of some of them, but I find it very difficult to accept that a young man or young woman who has sufficient foresight and ambition to seek a professional qualification and who to that end has spent good money on registration and examination dues, subscriptions and tutorial fees is going to fritter that away by voluntarily spending more time on amusement and pleasure than they can afford.

What is the alternative to this view? It is possible that with the best will in the world some of them do not have sufficient time to spend on their studies because of the demands of their employment and it was with this possibility in mind that we decided during the past year to introduce a new bye-law whereby students

for the Intermediate examination can prepare by means of a two-year full-time course of study at an approved establishment of further education. We believe that if the necessary foundation of principles can be laid in this way – as we hope it would – then the student will have something enduring and solid upon which to build. At present this mode of preparation is entirely at the option of the student but there are not a few of us who believe that a course of about this duration should be made compulsory, not necessarily in one unbroken period but in such a way as to amount in the aggregate to about that period during the course of the studentship.

This is, of course, in sharp contrast to traditional methods of training for the profession, but we can contemplate that without excessive alarm and, indeed, we must be ready to take advantage of the tremendous developments in business education which will undoubtedly take place within the next few years.

New Teaching Techniques

For a country whose attainments in the past have been so largely based on a certain aptitude for commerce and finance, it is a sobering thing to be told – as we have been told by the McMeeking Report – that we are at least a decade behind the rest of Europe in training in this field. My own contacts with our professional colleagues on the Continent leave me in very little doubt as to the truth of this assertion and you will all know that the Minister of Education is taking the most resolute steps to remedy the position. In this he has our most earnest support and co-operation.

New facilities are going to be provided and we should be failing if we did not take all steps to ensure that we enjoy our fair share of them. It is true that development may be hampered by some shortage of teachers of the requisite quality. On the other hand I am bound to admit that teaching which must of necessity be very largely repetitive is not perhaps likely to attract the best of them. This in turn may mean that new techniques of teaching will have to be more generally adopted. I am certainly not one of those who decry everything British, but I do believe that we have a good deal to learn from some other countries in this particular connection and I believe further that opportunities for our teachers to spend time at American and European schools of business should be considerably increased and that this should be looked upon as a matter of priority.

If I may venture to repeat something which my predecessor said in his address last year, it is that we on the Council are trying to keep our minds as open as possible towards all these new developments and towards training for the profession as a whole. We are trying to rid ourselves of the belief that methods of training which have been quite adequate and successful in the past are on that account incapable of improvement. We have given, we hope, some practical evidence of our readiness to think along new lines by permitting full exemption from the Intermediate examination to graduates in certain faculties and by the introduction of the Diploma in Management Accounting. We are also considering the possibility of introducing a new examination for graduates in other faculties.

surplus at about the same figure as for 1960. The accounts, as such, give little indication of the extent of this achievement, which has been possible only by the most vigorous economies. We intend to maintain that vigilance and to ensure that no part of the Association's income is spent without some reasonable prospect of advantage. Nevertheless it is important to note that although the surplus was maintained the actual sum expended was greater than in 1960, as, indeed, it has been in every single year since the war. During this past year the Association's activities cost well over twice what they did in 1950. I am not suggesting for a moment that we are alone in this, but it would be foolish in the extreme to suppose that our expenditure is likely to fall or even to remain static. There is no waste at headquarters, but as an integral part of the profession the Association has a duty to its members to maintain activities on a proper scale. An encouraging aspect of professional activities which is now assuming growing importance is the development and maintenance of contacts with our professional colleagues abroad. The strengthening of these ties will be of the utmost practical importance if Britain enters the Common Market and a more complete understanding of how the profession is practised in other countries is greatly to the advantage of the profession in its widest sense. But to put it quite bluntly, these things cost money. There is, in addition, a constant demand on the profession from various official and other sources for advice or evidence on matters which fall within our field and it is part of our public duty to ensure that those demands are reasonably met.

We must, therefore, take the view that for one reason or another we are committed to a rising tide of expenditure, despite all reasonable economies, and as though that were not of itself enough, the position is worsened by the fact that as the Association becomes larger and more active, it requires more space and more staff. These are both relatively costly items but they have to be faced and it is the Council's considered view that having regard to the facilities which we ought to be able to place at the disposal of our members and students, to our position as the second largest body of accountants in this country [illegible] the responsibilities which that entails, it is [illegible] should move to premises where the [illegible] more conveniently attained. [illegible] additional assistant[illegible] will be concer[illegible] Association [illegible] tance, an[illegible] prem[illegible] in[illegible]

The taxation subcommittee has continued work on two studies dealing with back duty and double taxation relief and has also started a new one on estate duty. These are all medium-term projects, but at the same time the subcommittee has been responsible for assisting the Council on two matters of extremely topical application. One was the preparation of a memorandum on Revenue procedure at the invitation of the Select Committee on Estimates of the House of Commons – before which our representatives subsequently gave oral evidence; and the other was our annual memorandum to the Chancellor in anticipation of the Budget. The memorandum to the Chancellor this year was of particular interest because it contained some rather novel proposals for the basic simplification of the tax system. This was, in fact, nothing less than self-assessment by the taxpayer – a proposal which would very substantially reduce the work of the Revenue and at the same time bring to the taxpayer a measure of certainty about his liability which at present is all too often absent. As might have been expected, proposals so fundamental as these attracted a good deal of Press comment, almost without exception favourable, and so long as our technical work can attract notice of this kind, I think that we are bound to feel well satisfied with the efforts of those who assist us.

There is perhaps less public appeal in the work of the other technical subcommittees, but to the profession itself they are no less important. One subcommittee is still engaged on a study dealing with management accounting for the small business and another is at work on the fourth of our brochures dealing with electronic data processing. This one will deal with management control and auditing.

This technical work occupies many hours of discussion, painstaking research and drafting. The material rewards for those who do it are small indeed, but its benefit to the Association is beyond measure. I refer to it not because you are unaware of it but because I desire to provide myself with an opportunity of expressing to those members who assist us so readily and so much in this direction our very sincere appreciation and thanks [illegible] assistance is invaluable.

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long overdue, will not result in the administrative saving one might have hoped for, and Government spending still remains the main source of inflation. Indeed, the introduction of the levy on short-term capital gains will only add to the administrative burden and the only satisfaction is acknowledgement of the political expedient, because one cannot see any commensurate return to the Treasury. In point of fact, the only people to benefit may be accountants and that does not make the tax a good one.

The design of the Budget seems to include an attempt to improve the climate of relationship between capital and labour, and if the deliberations of the National Economic Development Council are made easier in consequence, and goodwill in negotiation and discussion ensues, the Budget proposals will have been worthwhile.

Acknowledgements

My term of office as President is now drawing to its close and I should like at this time to express my deep sense of pride and pleasure at the honour which my colleagues on the Council did me last April in appointing me to the principal office in the Association. I hope sincerely that I have not been found too seriously wanting in my discharge of the duties of that office and in that connection I should like to express my grateful thanks both to the Vice-President and to my other colleagues on the Council for their support and encouragement at all times.

I can say without reservation of any kind that it has been to me a year full of enjoyment. It is a stimulating experience, but one which inevitably makes heavy demands on those who accept office. Looking back over the past decade it seems quite certain that the duties of the President increase year by year. I take this to be an excellent sign of progress and, indeed, evidence of a growing urgency in the direction of the Association's affairs and it is an honour and a privilege to have been allowed to take the lead in this work even for a year. My wife and I have greatly enjoyed our visits to the district societies and the pleasure of meeting so many fellow members and their ladies. I am a great believer in the value of personal contacts and I can think of a dozen cases within the last year where such contact has almost immediately resolved a difficulty which had hitherto seemed insoluble; and yet others where as a result of an hour's discussion with some other member of the profession, perhaps at the other end of England, the germ of an idea has formed which later has developed into a change of policy.

Like all my predecessors in office, I should indeed have found it impossible to discharge my many duties [illegible]ithout the assistance of our permanent officers at [illegible]quarters. I should, therefore, like our Secretary [illegible]tant Secretaries to know how much I have [illegible]dvice, assistance and support during the [illegible]e is likewise due [illegible]ers whose

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The twentieth annual general meeting of the London and District Society of Chartered Accountants will be held on Tuesday, May 15th, 1962, in the Oak Hall of the Institute, Moorgate Place, London EC2, at 6 p.m. The report of the Committee for the year ended March 31st, 1962, and details of some of the activities of the Society, are given below.

Committee

Mr G. F. Ansell, Chairman, Mr C. V. Best, Vice-Chairman, Messrs J. A. Allen, G. R. Appleyard, C. W. Aston, C. J. M. Bennett, B.A., P. R. Bradshaw, N. Cassleton Elliott, M.A., L. J. Ezra, Miss Margaret Fox, Messrs E. J. Frary, D. Garrett, J. S. Harrower, W. S. Hayes, D. V. House, A. P. Hughes, R. O. A. Keel, R. H. Langdon-Davies, D.F.C., D. I. Main, J. H. Mann, M.B.E., M.A., B. A. Maynard, M.A., D. S. Morpeth, B.COM., D. Napper, G. C. Peat, C. Romer-Lee, M.A., L. J. Rowley, J. D. Russell, M.A., H. Gordon Smith, D. C. Urry, W. K. Wells, B.A., F. J. G. Whinney, J. K. White, C. J. F. Wilkinson, J. V. Wilson, J. W. G. Cocke, T.D., M.A., Secretary.

Membership

The membership of the Society on March 31st, 1962, was 6,614 against 6,574 last year, being a net increase of forty.

Meetings for those newly-qualified are held to encourage them to join the district society and a number of extra members have been obtained as a result of the Small Practitioner Inquiry.

Future Events

A residential conference with a Management theme will have been held on April 12th–14th, 1962, at which, besides the usual papers and discussions, a Business Decisions 'Game' will have been played with the aid of the largest computer in London today.

On November 22nd to 24th, there will be a conference on Taxation at the Hotel Metropole, Brighton.

Relations with Schools will be strengthened by following up last year's Commonwealth Technical Training Week by inviting headmasters and headmistresses, their careers officers and youth employment officers to meetings and by providing opportunities for school-leavers to obtain information about our profession.

A National Productivity Year is being planned on a national basis from November 1962 to November 1963, and this Society will take part in and organize such activities as may be appropriate.

Programme

Details of the activities of the Society are given at the end of this report.

The committee desires to express its appreciation and thanks to all those who have addressed meetings of the Society.

The committee would welcome suggestions for next season.

Activities of Subcommittees

(a) Regional Taxation and Research

The Regional Taxation and Research Committee, under the chairmanship of Mr C. V. Best, has given consideration during the year to current legislation and auditing, taxation and accountancy problems. These matters were either referred by the main Taxation and Research Committee or raised by members.

(b) Students' Societies

Liaison has been maintained with the Chartered Accountant Students' Societies of London and Oxford through representatives of the respective committees, by the attendance of officers of the District Society at Students' Societies' social functions, and by arranging meetings in London for those successful in the May and November final examinations.

(c) Recruitment

Besides the usual visits to schools, the Society participated in Commonwealth Technical Training Week, May 29th to June 3rd, 1961. A dinner was held for headmasters and headmistresses of the leading schools who were afterwards addressed by Mr W. E. Parker. A cocktail party was arranged for careers officers and youth employment officers. Parties for school-leavers and their parents were held at the Institute on six consecutive afternoons. Over refreshments those attending were able to question members and officials of the Institute. After tea, talks were given about the profession as a career, followed by further discussion. These efforts were considered so successful that the committee has been asked to repeat them this year.

Members of the committee and other members of the Society have attended various other careers conventions and exhibitions arranged by youth employment officers and schools and have advised school-leavers and their parents on careers in accountancy. The committee is grateful to those who have given up time to visit schools etc. and would welcome assistance from more members who are interested in recruitment.

(d) Advice to Members and Articled Clerks

A number of applications for advice were dealt with during the year by consultation with members of the committee.

A sole practitioner having to go into hospital was put in touch with a firm who would look after his practice during the time that he was away. Members in difficulty through having too much work in hand or otherwise unable to attend to their clients' affairs, perhaps through illness, should not hesitate to contact the Secretary to obtain his assistance in finding temporary help from other practising members.

Following the Institute Annual General Meeting in 1961, when questions were raised about assistance for the smaller practitioner, a member in the area covered by this society met the Vice-Chairman and a past Chairman. A useful discussion took place which the member has told us he found most helpful in relation to his particular problems. It is hoped that others who have problems will not hesitate to get into touch with the Secretary.

(e) Small Practitioner

At the request of the President, members were invited to take part in the Small Practitioner Inquiry. Questionnaires were distributed and those completed and returned were analysed. Meetings were held in London, Luton, Oxford, Reading and Southend to enable members to raise and discuss matters of moment, after which a report in detail was submitted to the Institute.

(f) Groups

A meeting of representatives of the branch and groups with members of the District Society's committee was held during the year at which matters of mutual interest were discussed.

Council Membership

The Committee considered the names of the London members retiring by rotation from the Council at the 1962

NEW SUBSCRIPTION RATES

An ordinary resolution to increase the annual subscriptions payable by members was passed, and the new rates will come into effect from January 1st, 1963. Details of the new subscriptions (present rates in parentheses) are set out below:

			£ s d
Members in practice			
Fellows	11	guineas	(8 18 6)
Associates	8½	,,	(6 16 6)
Members not in practice			
Fellows	8½	,,	(6 16 6)
Associates	6	,,	(4 14 6)
Members Overseas in practice			
Fellows	6	,,	(3 3 0)
Associates	4	,,	(2 2 0)
Members Overseas not in practice			
Fellows	4	,,	(3 3 0)
Associates	3	,,	(3 3 0)

NEW COUNCIL MEMBERS

Four new members of the Council were elected as follows: Mr W. G. H. Clark, M.P., F.A.C.C.A., principal in the firm of W. G. Clark & Co, of London, and Member of Parliament for Nottingham South; Mr J. P. Landau, F.A.C.C.A., senior partner in the firm of Landau, Morley & Scott, of London; Mr E. A. L. Smith, F.A.C.C.A., senior partner in the firm of Goodwin & Lediard Smith, of Bournemouth; and Mr R. P. Crout, A.A.C.C.A., secretary of Schweppes Ltd.

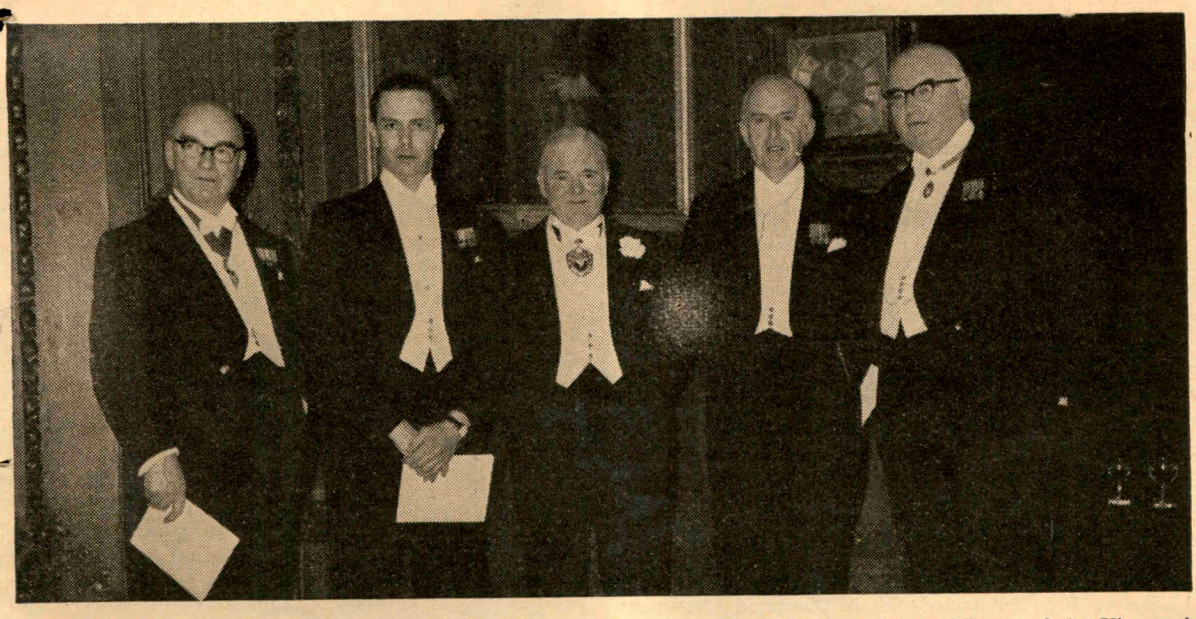
At a meeting of the Council of the Association which followed the annual general meeting, Mr Edgar Spencer, F.A.C.C.A., was elected President and Mr Vivian Ralph Chennell, F.A.C.C.A., was elected Vice-President (as announced in 'Weekly Notes' in our last issue).

PRESIDENT'S DINNER

The President, Mr G. L. Barker, F.A.C.C.A., gave a dinner on April 16th, at the Vintners' Hall, London. The principal guests were the Right Hon. Sir Reginald Manningham-Buller, Bt, Q.C., M.P., Attorney-General, Sir Keith Joseph, Bt, M.P., Minister of State, Board of Trade, Lord Ritchie of Dundee, Chairman of the Stock Exchange, London, and:

Messrs F. St K. Anderson (*Master of the Vintners' Company*); H. P. Barker (*Chairman, British Institute of Management*); Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor-General*); Sir Cecil Crabbe (*Chief Registrar of Friendly Societies*); Messrs A. E. Dawson (*President, The Institute of Chartered Accountants in Ireland*); A. J. Driver (*President, The Law Society*); P. F. Granger (*President, The Institute of Chartered Accountants in England and Wales*); J. H. Gunlake, C.B.E. (*President, Institute of Actuaries*); Denis Healey, M.P.; F. M. W. Hird (*President, The Institute of Cost and Works Accountants*); Sir Frederic Hooper (*Managing Director, Schweppes Ltd*); Mr A. Imrie, C.B.E. (*President, The Institute of Municipal Treasurers and Accountants*).

The Rt Hon. Lord Jenkins (*A Lord Justice of Appeal; Chairman, Company Law Amendment Committee*); Sir Donald Kaberry, Bt, T.D., M.P.; Sir Norman Kipping, K.B.E. (*Director-General, Federation of British Industries*); Sir Denys Lowson, Bt (*President, Chartered Institute of Secretaries*); Mr Maurice Macmillan, M.P.; Sir Edward Norman (*Chief Inspector of Taxes*); Sir Richard Powell, K.B.E., C.B., C.M.G. (*Permanent Secretary to the Board of Trade*); Mr Michael Shaw, M.P., J.P.; Major-General Sir Edward Spears, Bt, K.B.E., C.B., M.C. (*Chairman, Institute of Directors*); Mr J. C. Stewart (*President, The Institute of Chartered Accountants of Scotland*); Mr J. R. McK. Willis, C.B., C.M.G. (*Deputy Chairman, Board of Inland Revenue*).



At the President's dinner at the Vintners' Hall, London. *Left to right:* Mr F. St K. Anderson, Master of the Vintners' Company; Sir Keith Joseph; Mr G. L. Barker; Lord Ritchie of Dundee; and Sir Reginald Manningham-Buller.

Annual General Meeting and decided not to submit any other nominations.

Committee Membership
Nominated Members

The representatives of the Council of the Institute are Messrs D. V. House, J. H. Mann and J. D. Russell. The Chartered Accountant Students' Society of London has been represented by Mr W. K. Wells, and the Beds, Bucks and Herts Branch by Mr E. J. Frary.

Vacancies on the Committee

In Practice – Four vacancies

Mr D. I. Main was co-opted during the year to fill the casual vacancy caused by the death at an early age of Mr A. C. Simmonds, who had served on the Committee for three years.

Mr D. I. Main retires in accordance with Rule 18, and, being eligible and willing to serve, is deemed to be nominated for re-election.

Mr J. A. Allen, Mr B. A. Maynard and Mr H. Gordon Smith retire in accordance with Rule 7 and, being eligible and willing to serve, they are deemed to be nominated for re-election.

Employed in the service of a practising accountant – One vacancy

Mr J. K. White was co-opted during the year to fill the casual vacancy in this category which arose when Mr D. I. Main commenced to practise.

Mr J. K. White retires in accordance with Rule 18, and, being eligible and willing to serve, is deemed to be nominated for re-election.

Not in either of the foregoing categories – Two vacancies

Mr W. S. Hayes was co-opted during the year to fill the casual vacancy which arose when Mr G. A. Slator resigned on his appointment as an Assistant Secretary of the Taxation and Research Committee.

Mr Hayes retires in accordance with Rule 18, and, being eligible and willing to serve, is deemed to be nominated for re-election.

Mr C. W. Aston retires in accordance with Rule 7 and, being eligible and willing to serve, is deemed to be nominated for re-election.

Finance

The audited accounts for the year ended December 31st, 1961, are attached hereto. [Not reproduced.]

The increased grant from the Institute included £309 to meet the special expenditure incurred for Commonwealth Technical Training Week. The increase of £202 in Entertaining and Travelling results from the holding of two meetings to welcome newly-qualified members, now held by this Society instead of the Students' Society, and an additional dinner to the President, due to an alteration in the timing of this event. Also this year, conferences and social events have shown a deficit of £163, against a surplus in 1960 of £125. The net result is a surplus for the year of £12, bringing the accumulated fund to £726.

Messrs Sydenham, Snowden, Nicholson & Co, have kindly agreed to continue to act as honorary auditors.

For and on behalf of the Committee,

G. F. ANSELL,
Chairman.

April 12th, 1962.

SOME OF THE YEAR'S ACTIVITIES

Evening Meetings

The following addresses were given in the Oak Hall of the Institute:

October 24th, 1961. 'The relationship between the Inland Revenue and the Accountant as regards Stock Valuation', by Mr H. G. Thomas, Senior Principal Inspector of Taxes concerned with Stock Valuation.

December 12th, 1961. 'Valuation for estate duty purposes of shares in controlled companies', by Mr P. Vernon, a Chief Examiner of the Estate Duty Office.

February 13th, 1962. 'Insurance – some topical problems', by Mr J. A. Buckley, a director of A. W. Bain & Sons Ltd, Insurance Brokers.

Luncheons

Three luncheons were held at the Connaught Rooms, Great Queen Street, London WC2, and short addresses were given by the following speakers:

November 20th, 1961. Mr G. Ewart Thomson, Chairman of Lloyds.

January 8th, 1962. Mr H. C. Drayton, Chairman of British Electric Traction Co Ltd.

February 26th, 1962. Professor W. J. Fairbairn, C.A. (S.A.), F.S.A.A., Professor of Accounting and Auditing at the University of Natal.

An invitation to the above meetings was extended to Scottish and Irish Chartered Accountants in London.

Dinner to the President

Mr S. J. Pears as President of the Institute, together with the Vice-President and senior members of the Institute staff and the Presidents of the other District Societies, were entertained to dinner at Tallow Chandlers Hall on May 3rd, 1961. His successor, Mr P. F. Granger, was similarly entertained at the City of London Club on November 8th, 1961.

Dinner for Members

A dinner for members was held in the Hall of the Carpenters' Company on October 26th, 1961, by kind permission of the Master and Wardens. The President replied to the toast of the Institute and Mr A. S. MacIver to that of the Guests.

Discussion Groups in London

New members are always welcome and those interested in joining any of the groups mentioned below should write to the honorary secretary of that group.

City Discussion Group

Meets at The Tiger Tavern, 1 Tower Hill, London EC3, at 6 for 6.30 p.m. on the second Wednesday of each month, October to May. The subscription is 10*s* per annum.

Hon. Secretary: D. S. Lewis, 3 Copthall Buildings, Copthall Avenue, London EC2.

North London Discussion Group

Meets at the Russell Hotel, Russell Square, London WC1, at 6.30 p.m. on the third Wednesday of each month, October to May. The subscription is 10*s* 6*d* per annum.

Hon. Secretary: P. D. Knox, The White Cottage, Nutley Lane, Reigate, Surrey.

South West London Discussion Group

Meets at The Kingston Hotel, Wood Street, Kingston upon Thames, Surrey, at 6.45 p.m. on the first Monday of each month, October to May. The subscription is 10*s* 6*d* per annum.

Hon. Secretary: T. C. Backshell, Charter House, Claremont Road, Surbiton, Surrey.

Taxation Discussion Group

Meets at The Cheshire Cheese, 10 Surrey Street, London WC2 (entrance in Howard Street), at 6 for 6.15 p.m. on the first Wednesday of each month, October to June. The subscription is 7*s* 6*d* per annum.

Hon. Secretary: W. J. Bailey, 54 Old Broad Street, London EC2.

Management Discussion Group

Meets at King's Arms (upstairs), Buckingham Palace Road, London SW1 (though this may be changed), at 6 p.m. on the last Wednesday of each month, October to April (except December). The subscription is 5*s* per annum.

Hon. Secretary: K. Hoare, 5 London Wall Buildings, London EC2.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

SEVENTY-SIXTH ANNUAL REPORT

Reproduced below is the report of the Board of Governors of The Chartered Accountants' Benevolent Association for the year ended February 28th, 1962, to be presented at the seventy-sixth annual general meeting of the Association in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London EC2, on Thursday, May 3rd, 1962, at the conclusion of the annual meeting of The Institute of Chartered Accountants in England and Wales.

1. The Association on February 28th, 1962, consisted of 3,702 members, viz.:

The President	835 Annual Governors
117 Vice-Presidents	132 Life Members
20 Life Governors	2,597 Annual Members

being an increase of 119 during the year.

2. A list of the 119 (1961 – 109) cases in which assistance has been given during the year from the General Fund appears on pages 27 to 35.[1] During the year there were nineteen (nineteen) new cases and in three (five) cases former beneficiaries were assisted again. At February 28th, 1962, there were 102 (ninety-eight) current cases. **Additionally, twenty-three cases have been taken over from The Incorporated Accountants' Benevolent Fund with effect from March 1st, 1962.** Three cases are being assisted from the Special Fund.

3. The accounts for the year ended February 28th, 1962, duly audited, are annexed to this report.

4. The total expended by the Association in relief since its formation in 1886 amounts to £325,336. The scale of relief granted by the Association is materially higher than that given by most charitable organizations but in the opinion of the Board is no more than is appropriate to the profession and to the needs of the beneficiaries.

5. The principal figures from the accounts for the last five years are:

Year	*Relief*	*Subscriptions*	*Investment Income*
	£	£	£
1957–1958 ..	13,069	7,018	7,313
1958–1959 ..	14,191	7,476	7,755
1959–1960 ..	18,093	7,813	8,026
1960–1961 ..	19,103	8,444	9,943
1961–1962 ..	21,030	8,798	10,491

6. The deficit for the year is £3,330 (1961 – £1,080). This is after charging the sum of £1,305 for the cost of the special appeal for new subscribers which was made on February 28th, 1962. The amount spent on relief was £21,030 (£19,103) a figure which will be considerably greater in 1962–63 when the Association will be assisting the twenty-three beneficiaries who were cared for by the Society's Fund.

7. On February 28th, 1962, the President sent out a personal letter of appeal to all members of the Institute for greater support of the Association. With this letter was sent a list of subscribers to the Association at January 31st, 1962. It is too early to know what the result of the appeal will be but the Board hopes that it will result in a very much greater percentage of members of the Institute becoming subscribers to the Association. In the past there has been the very unsatisfactory position of only 10 per cent of the members of the Institute supporting the Association. The Board is most grateful to the committees of the district societies and of their branches for the efforts they are making in following up the appeal. **Those who have not yet responded to the appeal are asked to do so now; a form of covenant and a form of banker's order[1] are provided on later pages of this report.**

8. Christmas food hampers have, as usual, been sent to the majority of our beneficiaries. Gifts of clothing and special donations have been made in appropriate cases. The cost to the Association of this expenditure has been reduced by the income from the H. F. Holloway Memorial.

9. During the year the Association has received the following legacies and donations:

Legacies:	£
Administrators of the late H. C. Merrett, F.C.A.	16,116
Executors of the late R. Simpson, A.C.A. ..	3,772
,, ,, A. W. Death, A.C.A. ..	215
,, ,, G. Bostock, F.C.A. ..	100
	£20,203

Donations:	£
J. Donaldson, F.C.A.	250
H. G. Payton	250
J. Clayton, F.C.A.	125
K. J. Dean, T.D., F.C.A.	100
Bekonscot Model Railway and General Charitable Association	100
T. C. Fitton Will Trust	100
W. H. Wright, F.C.A.	94
R. L. Waller, F.C.A.	52
Anonymous	50
Delmar Charitable Trust	20
Donations made at summer and other courses	32
Others	306
	£1,479

10. Upon the completion during the year of the administration of the estate of the late Mr H. C.

[1] Not reproduced.

Merrett, F.C.A., the administrators transferred to the Association investments to the value of £15,116. They have also paid over £1,000 on account of income and an amount of £16,116 is included in the list of legacies in paragraph 9 of this report. A total of £26,046 has so far been received from the Merrett estate. Chartered Accountants' Trustees Limited has appointed Mr M. G. J. Harvey an additional trustee of the estate.

11. The Association is a joint residuary legatee of the late Robert Simpson, A.C.A., who died on August 14th, 1950. Following the death of the surviving life-tenant, the Association has received investments and money to a total of £3,772 on account of its share of the residue and this sum is included in the list of legacies in paragraph 9 of this report.

12. The Board has gratefully accepted from Mr Jack Clayton, F.C.A., a gift of shares in a private company, Skirden Products Ltd. The shares are partly paid and Mr Clayton has undertaken to indemnify the Association in the event of any call on the unpaid capital within three years of the gift.

13. The sum of £47 was received from the collection at the annual Church Service.

14. Grants from the W. B. Peat Memorial Scholarship Fund amounted to £220. The number of cases assisted on February 28th, 1962, was seven (1961 – five).

15. The Board has accepted with much regret the resignation by Mr Donald V. House, F.C.A., of his membership of the Executive Committee of which he has been a member since 1945.

16. Mr J. F. Aitchison, B.A., F.C.A., has been elected to fill the vacancy on the Executive Committee.

17. The Board reports with great regret the death last year of Geoffrey Bostock, F.C.A., who had been a joint honorary auditor of the Association since 1934, and desires to record its great appreciation of his services over the last twenty-seven years. The Board has appointed Mr Leonard Pells, M.A., F.C.A., to fill the vacancy.

18. The Board reports that on February 28th, eight of the Association's ten places in the homes of Crossways Trust were filled by nominees of the Association. The homes of Crossways Trust provide accommodation for old people whether they be able-bodied or infirm. There are present vacancies in homes for the able-bodied and the Honorary Secretary would be glad if members would let him know of any retired member (married or single) or of any widow of a member who might wish to be considered for a place in one of these homes. To be eligible, a person must be in need of care and attention and have insufficient means to pay for board and lodging and care and attention at normal rates.

19. The Board has continued to take steps to ensure that in appropriate cases the maximum grant available from the National Assistance Board is obtained provided that there is no loss of income to a beneficiary. Grants have also been obtained from County Councils to assist in the maintenance of those who are in homes for old people.

20. It is the policy of the Board to ensure that as far as possible a member of the Institute living near a beneficiary or applicant for relief, acts as a referee and is available to give advice when required. Such assistance from members is of the greatest value to the Executive Committee in considering applications. The Board wishes to thank district societies, branches and groups, for their help in appointing members for this purpose and also to thank those appointed for the considerable time and trouble they have taken in helping beneficiaries.

21. The Board is pleased to report that the Court gave its approval on January 22nd, 1962, to the merger of The Incorporated Accountants' Benevolent Fund with the Association. The assets of the Society's fund, which are likely to be of the order of £20,000, are in course of being transferred to this Association which has accepted the responsibility of looking after the beneficiaries of the Society's fund. This has added a further twenty-three beneficiaries to the number previously assisted by the Association and will of course add to the future expenditure on relief. When the formal order of the Court is received it will bring into force the alterations in the rules of the Association, subject to such amendments as the Court may see fit to make, which were approved by the members of the Association at the special general meeting which was held on May 4th, 1960. The main purpose of these alterations is to enable the Association to give relief to necessitous persons who have been members of The Society of Incorporated Accountants and to their necessitous wives, widows, children or dependants.

22. The Board wishes to record its warm appreciation to Mr R. W. L. Eke, Mr G. L. C. Touche and Mr D. A. Clarke as members of the Investment Sub-committee of the Executive Committee of the Association.

23. The Board is grateful to Messrs Markby, Stewart & Wadesons, the honorary solicitors, for their advice and help particularly in connection with the merger of The Incorporated Accountants' Benevolent Fund with the Association.

24. The Board thanks the editors of *Accountancy* and *The Accountant* for the publicity they have given to the affairs of the Association during the year. Brief reports of the quarterly meetings of the Executive Committee are published in these journals.

25. The Board wishes to place on record its high appreciation of the work of the officers and staff of the Institute.

26. The honorary auditors, Mr Leonard Walter Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., retire and kindly offer themselves for reappointment.

W. S. CARRINGTON,
March 28th, 1962. *President.*

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REVALUATION OF ASSETS
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Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present address of the following members of the Institute. The town at which the member was last known is shown after each name.

Alfred Charles Axon, F.C.A.	Brighton
William Glyndwr Bowen, B.SC.(ECON.), A.C.A.	Penygraig, Rhondda
Brian Morris Davies, F.C.A.	London
Walter Driver, F.C.A.	Keighley
Michael David Gerrard, A.C.A.	London
Bernard Richard Green, A.C.A.	Dorchester
William Edward Guest, F.C.A.	Barnsley
Peter Hallmey, F.C.A.	London
Edmund Adrian Hurley, A.C.A.	Thame
Frank Denis Leech, A.C.A.	London
Wilfred Norman Marlow, F.C.A.	Leicester
Harold Mayers, F.C.A.	Liverpool
Thomas Proudlove, O.B.E., F.S.A.A.	Sanderstead
Reginald James Roff, F.C.A.	Cheltenham
Cyril Ward, F.C.A.	Agincourt, Ontario

PROFESSIONAL NOTICES

MESSRS BARTON, MAYHEW & Co, announce with regret the retirement on March 31st, 1962, of Mr E. R. C. ROSS, F.C.A., their senior partner in Portugal. Mr Ross has been a partner in the firm's practice in Portugal for the past thirty years. Mr ANTHONY J. BIRD, C.A., who has been a member of the staff in Lisbon for several years has been admitted to partnership in Portugal.

MR F. W. BERRINGER, F.C.A., practising as F. W. BERRINGER & Co, Chartered Accountants, at 8 Widmore Road, Bromley, Kent, announces that as from April 6th his son, Mr JOHN FRANCIS BERRINGER, A.C.A., became a partner in the practice.

MESSRS CLARE CATLEY & Co, Chartered Accountants, of 6 Westborough, Scarborough, announce that Mr C. L. CATLEY, F.C.A., will retire from the firm on April 30th, 1962. The practice will continue to be carried on under the same name by Mr JOHN A. BRYDEN, F.C.A.

MESSRS HENDERSON, GRIFFITHS & Co, Chartered Accountants, of 53 Cathedral Road, Cardiff, announce that Mr WILLIAM RHIDIAN JENKINS, A.C.A., has been admitted into partnership.

MESSRS MANN JUDD & Co, Chartered Accountants, of 8 Frederick's Place, Old Jewry, London EC2, announce that Mr FRANK LEONARD MOORE, M.C., F.C.A., a senior partner, retired on April 10th, 1962, after forty-one years' service. He will continue to be available in a consultative capacity.

MESSRS WALTER MEACOCK & Co, Chartered Accountants, of 21 Gold Tops, Newport, Mon., announce with regret the death of their senior partner, Mr ROBERT W. MEACOCK, F.C.A., on April 10th.

MESSRS SOOLE & Co, Chartered Accountants, of 22 Southampton Place, London WC1, announce that as from April 6th, 1962, Mr A. B. WAGSTAFF, A.C.A., and Mr P. G. HINE, A.C.A., have been admitted as partners. The style of the firm remains unchanged.

Appointments

Mr Ivor L. Lloyd, F.C.A., company secretary and comptroller, has been appointed to the board of directors of United Merchants & Manufacturers (U.K.) Ltd.

Mr P. R. Parry, A.C.A., has been appointed accountant to the Hong Kong Housing Authority.

Mr C. R. Plummer, C.A., has been appointed a director of City & Commercial Investment Trust Ltd, Second City & Commercial Investment Trust Ltd, Third City & Commercial Investment Trust Ltd, Redeemable Securities & General Investment Trust Ltd and Forsecs Investments Trust Ltd.

Mr R. G. Sutton, F.C.A., has been appointed a director of Simms Motor & Electronics Corporation Ltd.

Mr F. G. Taylor, F.C.A., secretary of Carpet Trades Ltd, has been appointed a director of the company.

RESTRICTIVE PRACTICES COURT

The Queen has signified her intention of appointing Mr Donald V. House, F.C.A., who was President of The Institute of Chartered Accountants in England and Wales in 1954–55, to be a member of the Restrictive Practices Court. Mr W. G. Campbell, B.A., F.C.A., a member of the Court whose appointment expired earlier this month had indicated that he did not wish to be considered for further appointment.

COMPANY INQUIRY

Mr J. R. Muirie, B.A., C.A., a partner in the firm of Peat, Marwick, Mitchell & Co, of London, has been appointed by the Secretary of State for the Colonies, Mr Reginald Maudling, to inquire into the affairs of Bailey (Malta) Ltd. Mr Maudling has also appointed Mr William Rendell, M.A., F.C.A., who is general manager of the Colonial Development Corporation, to be a Government director of the company under the

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Loans Agreement between the Government and the company.

The decision to order the inquiry and to appoint a Government director has been taken as a result of the recent resignation of three directors from the board. They were Sir Richard Yeabsley, C.B.E., F.C.A., and Mr R. Hanning Philipps, who were appointed to the board by the company at the Government's request in December 1960, and Mr Lawrence W. Robson, F.C.A., who joined the board at the same time.

NEW RAIL CONTROL COMMITTEE

Three members of the profession have been appointed to the British Railways Committee which was announced last week by the British Transport Commission. They are Colonel D. H. Cameron of Lochiel, T.D., B.A., F.C.A., chairman, Scottish Area Board, Mr P. H. Shirley, F.C.A.(AUST.), Finance Director, and Sir Reginald H. Wilson, B.COM., M.INST.T., C.A., chairman, London Midland Area Board.

The purpose of the Committee, which is under the chairmanship of Dr Richard Beeching, is to prepare the way for the proposed British Railways Board which is to be established in due course, when the Commission will cease to exist in its present form.

INSTITUTE OF OFFICE MANAGEMENT

Glasgow and West of Scotland Branch

The ninth annual spring conference of the Glasgow and West of Scotland Branch of the Institute of Office Management will be held at the Peebles Hotel Hydro on May 4th, 5th and 6th.

The subject of this year's conference is 'What has the office to offer?' and the conference speaker will be Mr D. S. Greensmith, M.B.E., A.C.I.S., F.I.O.M., Chairman of the Council of the Institute, director of Boots Cash Chemists Ltd, and controller of administration of Boots Pure Drug Co Ltd. He will speak on the changing role of the office, the need therein for an efficient management control system, the important implications that the development of the modern office has for the staff, and the adjustments to the recruitment and training that are needed to meet the new situation. Mr T. R. Craig, O.B.E., T.D., managing director (sales), Colvilles Ltd, will be guest speaker at the conference dinner.

Further information may be obtained from the conference secretary: Mr C. R. MacHaffie, Philips Hamilton Works Ltd, Wellhall Road, Hamilton.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Oxford Week-end Course

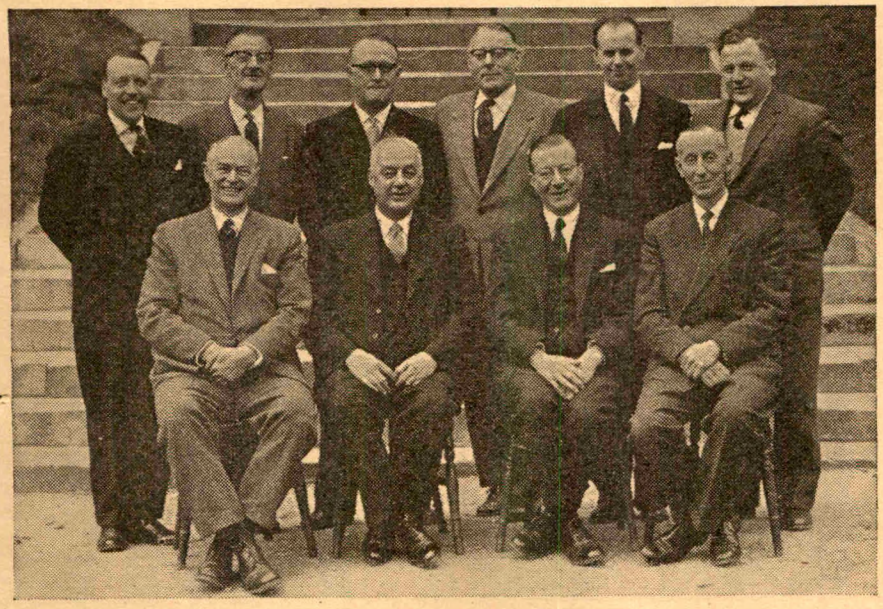
During the week-end April 13th–15th, some forty members of The Institute of Cost and Works Accountants took part in the first residential course for qualified members held at Worcester College, Oxford.

On Friday evening, Mr Ian T. Morrow, C.A., F.C.W.A., a past President of the Institute, spoke on the expanding field for the management accountant.

Papers were presented on sources of finance, the assessment and control of capital expenditure, the measurement of return on investment and the utilization of capital, both in relation to fixed assets and current assets.

After dinner on Saturday evening, the President of the Institute, Mr F. M. W. Hird, F.C.A., F.C.W.A., who had that day also been present at the Regional Conference in Birmingham (referred to in our last issue) addressed members in Hall. Mr Hird emphasized the importance which he and his colleagues on the Council attached to courses such as the present one.

Also present were two past Presidents of the Institute, Mr J. Borsay, F.C.W.A., and Mr G. C. Stone, F.C.W.A., who presented papers, the Chairman of the No. 1 Area Co-ordinating Committee, Mr A. W. Field, F.C.W.A., A.C.I.S., and Mr W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S., Chairman of the Institute's Education Committee.



Some personalities at the Oxford Course. **Seated, left to right:** Messrs Derek du Pré, *Secretary of the Institute*; G. C. Stone, F.C.W.A., *a Past President* (*Speaker*); F. M. W. Hird, F.C.A., F.C.W.A., *President of the Institute*; J. Borsay, F.C.W.A., *a Past President* (*Speaker*). **Standing, left to right:** Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., *Convenor*; Messrs G. R. Coe, F.C.W.A., *Member of Course Committee*; S. J. Careless, F.C.A., F.C.W.A., *Speaker*; A. D. Coventry, F.C.A., F.C.W.A., A.C.I.S., *Speaker*; W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S., *Member of Course Committee*; S. G. H. Freeman, A.C.W.A., *Secretary of the Course.*

HOLIDAY CROSSWORD: SOLUTION

The solution to the Holiday Crossword compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

LONDON STUDENTS' CAMBRIDGE COURSE

A total of 287 students from the Chartered Accountant Students' Society of London and seven from Cambridge joined in a four-day course of lectures and discussions from April 12th–15th at Cambridge, under the chairmanship of Mr G. B. C. Hughes, M.A., A.C.A. The subjects of the lectures were appropriate to students in the early years of their articles.

After a most informative and stimulating talk, full of anecdotes, on 'Everyday justice' by Mr Harold F. Sturge, Metropolitan Magistrate, the course got down to a more domestic lecture by Mr S. J. D. Corsan, F.C.A., on 'What it is like to be a principal'. On this subject the provocation to argue seemed to be less than on the following talk by Mr Donald V. House, F.C.A., on 'Professional ethics and all that'. 'All that' included many warning and guiding suggestions on examinations, some of which were accepted gratefully and others with rather less wholehearted agreement.

On the Saturday morning, under the title, 'Shapes . . . and sizes', Mr Peter Darvall, B.A., A.R.I.B.A., gave the course the architect's view of 'true and fair' with a strong accent on the 'fair'. The impact of intended use and of future developments, so often overlooked in setting out statements of accounting information was brought vividly into focus in a language quite unfamiliar to accountants and therefore all the more striking. The course ended with a lecture by Mr A. R. Ilersic, M.SC.(ECON.), B.COM. on 'Britain and European trade' which gave a most salutary and corrective view of the basic economic factors in a problem usually violently distorted by political and pressure-group partisans.

All the lectures were followed by discussions, and the seventeen groups formed for discussion in Corpus Christi and Pembroke Colleges where the students had rooms, covered not only questions arising out of the lectures but also many other subjects of professional and general interest.

The President of the Students' Society, Mr W. E. Parker, C.B.E., F.C.A., presided at high table at dinner in Corpus Christi College on the Thursday and in Pembroke College on the Friday when guests from the colleges were present. On the Saturday afternoon a substantial proportion of eight crews who took part in an 'informal' punting race found themselves in and out of the River Granta for the amusement of themselves and others, and in the evening a dance for the course was organized by two students. On the Sunday morning a Course Service was held in the Chapel of Corpus Christi College and about eighty students took part.

For nearly three hundred articled clerks the course provided not only information on subjects of wide and practical importance to future chartered accountants, but also much stimulating discussion and an unique opportunity to get to know personally those who will share with them the responsibility of maintaining the future status of the Institute.

NEW STUDENTS' MAGAZINES

The appearance of two further students' magazines following the publication last November of The Bradford and District Chartered Accountant Students' Society's half-yearly *Newsletter*, is a welcome sign of student enterprise.

Contra, the new magazine of the Chartered Accountant Students' Society of London, extends to twenty-six pages, and combines humorous items with articles on such subjects as 'Know your Common Marketeers', 'Alhambra and Generiffe today' and 'The Parker Report'. Other matters include notes of forthcoming events and information about the Students' Club.

The Chartered Accountant Students' Society of Leeds have based their new magazine *Equilibrium* on the annual report of the Society and have admirably interwoven details of the year's activities with comment, a quiz on 'How do you rate as a student?', and a controversial piece on the Parker Report. A page and a half of verse and a page 'For those with money to spare' – listing union colours, publications, and part-time lecture courses, make up the remainder of the magazine's thirty-one pages.

Bradford's second issue of its *Newsletter*, also now published, covers a variety of subjects from beagling, to Portugal under Dr Salazar, and the Bradford Town Hall clock; there is also a letter from Lord Russell on nuclear disarmament. Reports from branches, details of study courses, and a sports report all help to give varied and interesting reading. Congratulations to the officers of all three societies on their initiative in producing these periodicals for members.

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THE
ACCOUNTANT

ESTABLISHED 1874

MAY 5TH, 1962 VOL. CXLVI. NO. 4559

CONTENTS

	Page
Terminology in Accounts	561
Disputed Debts of Insolvent Companies by *W. H. D. Winder, M.A., LL.M.*	563
Tax Liability on Mortgage Interest by *Edmond Gabbay*	565
Terms used in Published Accounts of Limited Companies	567
Weekly Notes The Institute's Annual Meeting – Buoyancy and Bank Rate – A Strike Ballot Fails – Unions and the E.C.M. – Apprentices in Engineering – Looking Abroad – Shipbuilding in the Trough	574
***The Accountant* Annual Awards for 1962** Winning Companies Announced	575
This is My Life . . . by *An Industrious Accountant*	576
Finance and Commerce	577
Reviews	580
Correspondence How to Decimalize the Currency – Assessment Query – Thinking in Figures	583
Taxation Cases C.I.R. *v.* Hood Barrs – Seaward Brothers *v.* Varty	584
The Institute of Cost and Works Accountants Report of the Council	585
London Chartered Accountant Students' Annual Meeting	587
New Office Equipment	588
University Accounting Students' Annual Conference	590
Notes and Notices	590

Terminology in Accounts

IN modern accountancy, words and figures are rightly regarded as complementary and both must be used with subtlety and reasonable economy if concise and accurate financial statements are the objective. The importance of this interdependent relationship has not always been properly appreciated by accountants, many of whom even now think that figures are all that matter. This view is being modified gradually, however, partly by the enlightening influence of the 1948 Companies Act and partly by the fruits of accounting research.

The most ambitious example of the latter is *Accounting Trends and Techniques*, a comprehensive analysis, prepared annually, by The American Institute of Certified Public Accountants of the accounts of 600 leading United States companies. A smaller but equally able guide is the summary made by The Canadian Institute of Chartered Accountants of the financial reports of 300 prominent commercial and industrial companies in that country, the fourth edition of which appeared earlier this year. In both these publications, form as well as terminology is studied and tables are given of the ways, words and phrases most popularly favoured.

To these valuable transatlantic digests may now be added a new publication, issued as a supplement to the *Members' Handbook*, by the Council of The Institute of Chartered Accountants in England and Wales entitled *Terms Used in Published Accounts of Limited Companies*. It differs from the others in three respects. Firstly, it deals only with terminology. Secondly, it does not disclose the names of the companies examined although these are said to form a representative cross-section of the *Stock Exchange Daily List*. Thirdly, and most important, the Council makes positive suggestions as to the words and phrases it prefers. The American and Canadian Institutes are content to indicate without comment what are the most commonly accepted methods of presentations and the vocabularies employed.

We are reproducing the Council's notes in three parts, the first of which appears in this issue. This instalment is sufficient to indicate the general pattern. After share capital and reserves, the various assets and liabilities are considered, then the profit and loss account and, finally, the constituents of the consolidated balance sheet and consolidated profit and loss account. A short review of the practices adopted for describing each item is followed by the Council's suggestions with, where appropriate, the reasons for making them.

It must always be remembered when drafting accounts for

general publication that they will be read mostly by shareholders and others who have no specialized financial knowledge.

With this in mind, the Council stresses in its introduction that clarity of expression is essential and that accounts should be so laid out as to enable significant descriptions to be applied to figures and totals where thought desirable. Certainly the words and phrases it suggests are simple and concise and resort is made to legal and other specialized terms and references only where no alternative would be adequate. Emphasis is also placed on the importance of grouping only similar components and of giving descriptions to all significant sub-totals. The latter are often omitted and an air of anti-climax is sometimes thereby created when a figure, so carefully contrived with the aid of insets, boxes, lines and dots is left without a label.

An example of this is found on occasion in the top left-hand corner of the 'two-sided' balance sheet where popularly dwells the lordly group of balances known as share capital and reserves. These may or may not have a common heading (the section of the Council's notes on these leaves the point open) but if they have not then any total shown should be appropriately described.

In this same section, the Council includes its observations on amounts set aside for future taxation. Both Recommendations 18 and 19 state that these amounts, whether described as reserves or not, should be shown separately and should preferably not be aggregated with reserve nor, at the other extreme, should they be grouped with liabilities if relating to income tax assessed for any income tax year commencing after the balance sheet date. The present notes remark that 'amounts set aside for future tax are sometimes grouped with reserves, as part of a total comprising share capital and reserves'. All these references avoid a definite opinion as to whether or not this really is the place for them and a lead on this point would be welcome.

Another general point which the Council makes is that when items in accounts have to be amplified by notes the cross-references should be explicit. An irritating feature of many glossy financial statements is that these necessary addenda are as difficult to find as the auditor's report which may appear as anything from a preface to a tailpiece, or even as a little news paragraph at the foot of a page which the notes to the accounts or the chairman's inspiration have failed to fill. Time was when it was a point of honour that the auditor's report appeared at the foot of the balance sheet however precarious its foothold. In published accounts nowadays that is the one place in which it is seldom if ever seen. Being thus detached, as it were, and with no fixed abode, might have dangerous consequences. We read occasionally of a train leaving its guard behind on the platform. It would be ironic if one day, the auditor having waved his green flag, a company were inadvertently to omit his report from its circulated accounts.

Difficulty is often experienced in finding the right words in (unpublished) detailed accounts for the various stages of profits which begin by cascading like a waterfall from the manufacturing accounts and end as a trickle into the pool of undistributed net earnings. The same problem is relevant, although in lesser degree, in published accounts and it is not surprising that the Council found that the terms used to describe 'the principal item of income' differ considerably in the profit and loss statements both of single companies and of groups. Profits may be variously interpreted and it is important that the definitions employed should leave no doubt as to what they are and where they go. In these times profits are inevitably linked with politics and many bitter and futile arguments might be avoided if the parties concerned argued from agreed premises.

In framing its suggestions generally, the Council has kept a watchful eye on the Eighth Schedule of the 1948 Companies Act to which more than a score of references are made in the text. If new company legislation is introduced as a result of the present deliberations and future findings of the Jenkins Committee on Company Law Amendment, much of the material in the *Members' Handbook* would have to be revised and that in itself would be a task of some magnitude. Commendably, the Council does not seem to be deterred by this prospect from continuing to produce new guides when it thinks they are necessary and likely to be helpful. This latest addition will be welcomed by accountants and secretaries now in the middle of this the high season for preparing annual financial statements.

Disputed Debts of Insolvent Companies

by W. H. D. WINDER, M.A., LL.M.

AS it has been pointedly expressed in *Buckley on the Companies Acts*, 'a company may be at the same time insolvent and wealthy'. The wealth of the company may not be realizable and if it does not have assets available to meet its current liabilities it is commercially insolvent. If it is insolvent, then the way is open to present a successful petition for compulsory liquidation. A creditor may do this. But may the company argue that, even though insolvent, the petition should not succeed if the company disputes the debt?

'A winding-up petition is not a legitimate means of seeking to enforce payment of a debt which is bona fide disputed by the company', says *Buckley*. The truth of this statement is qualified by the consideration that if the debt is not disputed on some substantial ground, the Court may decide it on the petition and make the winding-up order. The Court is still more likely to make the order if it is merely the amount of the debt which is disputed by the company and not its existence. This distinction was acted on by the Court in the recent case of *In re Tweeds Garages Ltd* ([1962] 2 W.L.R. 38). There was no previous ruling on the question whether, for a company to be able to stave off compulsory winding up, the existence of the debt must be disputed, or whether it is sufficient that the amount of the debt should be disputed.

A petition for the compulsory liquidation of a company was based on an alleged debt of £20,039 19*s* 3*d*. The evidence showed, to the satisfaction of the Court, that the company was insolvent. The company admitted the existence of a debt to the petitioners but disputed the amount of the debt alleged in the petition. Mr Justice Plowman said that it would be wrong to put the petitioners to the trouble and expense of quantifying in other proceedings the precise amount which was owing to them. He made the usual compulsory order.

Proving Insolvency

A company may be wound up by the Court if it is 'unable to pay its debts' (section 222, Companies Act, 1948) and a number of instances in which 'a company shall be deemed to be unable to pay its debts' are set out in section 223. One instance is the familiar one of the creditor to whom the company is indebted in a sum exceeding £50 who serves on the company a written demand requiring payment, followed by neglect to pay or compound. The issue of execution in favour of a creditor which is unsatisfied is another instance. And there is the residuary instance to the effect that a company shall be deemed to be unable to pay its debts if it is proved to the satisfaction of the Court that the company is unable to pay its debts, the Court taking into consideration the contingent and prospective liabilities of the company.

Applying the statutory test of insolvency to the company in question, the Court in *In re Tweeds Garages Ltd* had no doubt that it was insolvent within the meaning of the Act. A finance company presented a petition against the insolvent company, which carried on business as garage proprietors and car dealers. The petitioners' debt arose out of hire-purchase and credit transactions on the sale by the company of cars. The transactions were financed by the petitioning company and guaranteed by the car company. The alleged indebtedness was in two parts. First, £19,619 was said to be the subject of a settled account and to be the amount which was agreed to be due from the car company to the petitioners on April 19th, 1961. Secondly, £420 19*s* 3*d* was said to be the amount which had become due from the company to the petitioners between April 19th, 1961, and the presentation of the petition.

The petition was supported by an ex-employee of the car company, who claimed to be a creditor for £95 in respect of wages due to him at a time when he was employed by the company some time before the end of 1960. He was said to have been paid this debt a few days before the hearing of the petition by the Court. The petition was also supported by a person who had very recently before the hearing obtained judgment against the company for £114. It was said that the company proposed to appeal against this judgment in due course. In dealing with the company's contention that it was not insolvent, Mr Justice Plowman quoted the following passage from

Buckley (thirteenth edition, 1957, page 460) regarding the particular indications of insolvency in section 223 of the Act:

> 'The particular indications of insolvency . . . are all instances of commercial insolvency, that is of the company being unable to meet current demands upon it. In such a case it is useless to say that if its assets are realized there will be ample to pay 20*s* in the £: this is not the test. A company may be at the same time insolvent and wealthy. It may have wealth locked up in investments not presently realizable; but although this be so, yet if it have not assets available to meet its current liabilities it is commercially insolvent and may be wound up.'

As examples of the 'abundant evidence that the company is insolvent' the following examples were given in the judgment. At the date of the presentation of the petition there were at any rate three employees or ex-employees of the company in addition to the ex-employee who supported the petition. To each of them a sum in the neighbourhood of £100 was owed for arrears of wages, although it was true to say that they had in fact since been paid. Further, the Post Office had obtained judgment against the company for telephone bills on three accounts amounting to £118 in all and the company's telephone was cut off. Sixty pounds of that judgment had been paid by the time of the hearing of the petition but the remainder was still owing. An electricity board had obtained judgment for £45 and the company had had its electricity cut off. The amount of that judgment had been paid three weeks before the hearing of the petition. Two other plaintiffs had also obtained judgment against the company. These examples were apart altogether from the petitioners' alleged debt.

The company's contention that it was not insolvent failed, but there was more to be said for its other argument for resisting winding up, even though this also failed.

When Amount of Debt is Queried

The argument that the debt was disputed so far as the amount was concerned rested on the fact that the account between the petitioners and the company was a running account. The nature of the transaction was such that the actual financial position between the parties varied from day to day. Ultimately, at some future date, it was conceivable that there would be a credit balance in favour of the company. That depended on a number of things, in particular, of course, on whether sufficient money was recovered from the persons who had bought cars on hire-purchase. But all this, according to the judge, was 'irrelevant to the question of the indebtedness of the company at any particular point of time'. And there was no agreement between the parties which precluded the petitioners from launching a winding-up petition based on the debt owing to them at the date of the presentation of the petition.

The company argued that by reason of a number of claims which the company had against the petitioners there was a number of deductions which fell to be made from the sum claimed by the petitioners to be due to them; that these were bona fide claims of the company; and that the amount of the petitioners' debt was, therefore, bona fide disputed. It was not suggested that at any material time the amount of the company's claims was in excess of the petitioners' claim so as to leave a credit balance in favour of the company. Although there was no dispute that the petitioners were at all material times creditors, there was a dispute as to the amount of their debt and it was argued that such dispute was within the rule that the Court would not make a winding-up order on a disputed debt. That rule is expounded by *Buckley* (page 451) as follows:

> 'A winding-up petition is not a legitimate means of seeking to enforce payment of a debt which is bona fide disputed by the company. . . . Great damage might obviously be done to a solvent company by a winding-up petition presented by an unreasonable creditor, whose debt the company are able and willing to pay if established, but to whom they bona fide believe they are not indebted.'

This rule is well supported by the judicial precedents but they were not directly concerned with disputed amounts of admitted debts.

Debt Admitted: Amount Disputed

In the old case of *In re Brighton Club and Norfolk Hotel Co Ltd* ((1865) 35 Beav. 204) the side-note to the report reads that the provisions of the Companies Act, 1862, 'for winding up a company, in default of its paying a debt three weeks after notice, do not apply, where there is a bona fide dispute as to the amount due, though there may be an admitted debt exceeding £50'. This was a case where the debt was a statutory demand, not an ordinary debt as in *In re Tweeds Garages Ltd.* Moreover, in this old case it was quite clearly established in the evidence that, apart from the alleged statutory demand, the company was not insolvent. As the judge trying that case said:

> 'Far from being insolvent, this company is carrying on a thriving business, which I am asked

to stop, merely because there is a quarrel between the company and their contractor as to what is due to him.'

Similarly, *In re London & Paris Banking Corporation* ((1874) L.R. 19 Eq. 444) was also a case which was concerned with a statutory demand; and the point there was really whether the company had neglected, within the wording of the statute, to pay a debt which it disputed. After referring to the *Brighton Club* case, the Master of the Rolls at that time said:

'I should be bound by authority (even if I entertained a different opinion, which I do not) to hold that if the debt is bona fide contested, and there is no evidence other than non-compliance with the statutory notice to show that the company is insolvent, and the company denies its insolvency (as this company does), I ought to dismiss the petition.'

Mr Justice Plowman in *In re Tweeds Garages Ltd* was not moved by these precedents, or by any other precedents, to dismiss the petition for winding up in the case before him. He thought that dismissal was not justified merely because the amount of a commercial debt was in issue still. The following passage from his judgment explains the principle of the precedent which he has set for future guidance:

'Moreover, it seems to me that it would, in many cases, be quite unjust to refuse a winding-up order to a petitioner who is admittedly owed moneys which have not been paid merely because there is a dispute as to the precise amount owing. If I may refer to an example which I suggested in the course of argument, suppose that a creditor obtains judgment against a company for £10,000 and after the date of the judgment something is paid off. There is a genuine bona fide dispute whether the sum paid off is £10 or £20. The creditor then presents a petition to have the company wound up. Is the company to be entitled to say: "It is not disputed that you are a creditor but the amount of your debt is disputed and you are not, therefore, entitled to an order"? I think not.'

The final conclusion reached in the judgment was expressed in a manner which leaves no doubt as to the present law:

'In my judgment, where there is no doubt (and there is none here) that the petitioner is a creditor for a sum which would otherwise entitle him to a winding-up order, a dispute as to the precise sum which is owed to him is not of itself a sufficient answer to his petition.'

Tax Liability on Mortgage Interest

by EDMOND GABBAY

THE subject of taxable interest is not one which can be said to be free from difficulties. Rules applicable to Case III and Schedule D rules provide that tax shall extend to any interest of money whether yearly or otherwise. A yearly interest derived from types of income such as money deposit, mortgage or loan is generally taxable against the recipient of the payment at the standard rates (section 169 of the Income Tax Act, 1952). If tax is not deducted on payment of interest, the payer would be precluded by section 169 (1) (*b*) from deducting such payment out of his own taxable income. Section 170 which deals with payment of any interest requires the payer to deduct tax on the payment or be assessed for it. Where the payer fails to deduct tax under this section, recent authority has shown that the tax-free recipient would not escape liability (*Grosvenor Place Estate Ltd v. Roberts* (39 A.T.C. 77; 39 T.C. 433)), affirmed by the Court of Appeal (39 A.T.C. 442; 39 T.C. 441).

This was a case where the National Coal Board as lessees of the appellant company omitted to deduct tax on the quarterly instalments of its annual rents. Assessments were accordingly made by the Additional Commissioners under Case VI of Schedule D on the company. The company appealed on the grounds that these assessments were not properly made and that the Commissioners were without power to make such assessments. Danckwerts, J., held, however, that the assessments were good and valid, and the majority of the Court of Appeal affirmed the decision. Harman, L.J., held a dissentient view, regarding the 'annual payments' as 'profit or gains', and accordingly, no assessment could be made against the recipient.

Interest may accrue annually, half-yearly or at regular periods of not less than a year (*C.I.R. v. Hay* (3 A.T.C. 661; 8 T.C. 636)), or by way of an annual payment like rent. A 'yearly interest' was described as an interest derived from an investment payable at a future date and accountable by periods not less than a year, although the obligation to pay may end before the year is out (*In re Craven's Mortgage, Davies v. Craven* ([1907]

2 Ch. 448)). It emerges from this authority that arrears of mortgage interest paid in one lump sum together with the capital on which it had accumulated are taxable.

How the purchase price of a property is realized often turns on the true construction of a contract between the vendor and purchaser or mortgagee. Lord Greene, M.R., in the Court of Appeal in *C.I.R. v. Wesleyan & General Assurance Society* (25 A.T.C. 311; 30 T.C. 15), affirmed by the House of Lords (27 A.T.C. 75; 30 T.C. 24), clearly and succinctly explained that although one method of realizing the purchase price of a property does not attract tax, yet another would. This he illustrated as follows:

> 'If a piece of property is sold for £1,000 and the purchase price is to be paid in ten instalments of £100 each, no tax is payable. If, on the other hand, the property is sold in consideration of an annuity of £100 a year for ten years, tax is payable.'

Distinguishing Capital and Interest or Income

In *Vestey v. C.I.R.* (40 A.T.C. 325), the High Court considered the question whether a purchase price could be split into a capital and an interest element. Here the appellant sold two blocks of shares to trustees of a settlement for a total of £5½ million, and by agreement provided that the purchase price was to be paid without interest by way of 125 instalments of £44,000 each. A proviso in the agreement stated that in the event of default in paying any of the instalments for ninety days, the whole of the unpaid instalments would become payable and carry interest. It was held that each sum should be dissected into principal and interest.

Interest which was capitalized and on the sale of the mortgaged property was received as part of the purchase price must carry tax (*C.I.R. v. Lawrence, Graham & Co* (17 A.T.C. 105; 21 T.C. 169)). In this case, the reversionary interests devised under a will were mortgaged for a £10,000 loan at 5½ per cent per annum (reducible on punctual payment to 4½ per cent per annum) payable half-yearly after deduction of tax. Since the paid interest had already suffered tax it was held that the respondents were not liable to further tax.

Again, where no payment of interest had been handed over to B., a mortgagee of his reversionary interest, in exercise of an option to capitalize interest as granted to B.'s trustees under a deed of settlement, it was held that payment over and above the original capital loan was a payment of interest and taxable, since such interest never lost its character (*C.I.R. v. Oswald* (24 A.T.C. 120; 26 T.C. 448)).

Income may be separated from capital accretion for purposes of taxation, according to *Wilson v. Mannooch* ([1937] 16 A.T.C. 121; 21 T.C. 178). Here a partner in a firm of solicitors agreed with a builder to grant him a personal loan or arrange for a loan for the purchase of property in return for a lump sum (one-third of the profit up to £500) on resale of the property. In one instance of a resale the solicitor became entitled to a £500 profit and in another to £300. These sums were held to be annual profit and therefore liable to tax.

Taxing Vendors' Deposits with Mortgagees

An arrangement to promote the sale of houses between a builder and a building society whereby interest on deposits was allowed, was considered in *Harrison v. John Cronk & Sons Ltd* (15 A.T.C. 518; 20 T.C. 638). The respondents carried on business as speculative builders. They purchased areas of suitable land, made the road and sewers and built small dwelling-houses which they sold for £500 to £600 to persons of small means. The purchasers were able to pay a small sum down, between £20 and £30, and the balance of the price was obtained by each purchaser from a building society and secured by a mortgage on the home. The respondents, however, guaranteed to the building society the difference between the full sum advanced and the sum amounting to three-quarters of the value of the house which would have been advanced in the ordinary course.

The building society required the respondents to deposit an amount which was usually one-third of the sum guaranteed, upon which the building society allowed interest to the respondents at the current rate payable by the society on ordinary deposits, subject to the society's right to apply the amount of deposit towards the reduction of the loan. As soon as the liability under the guarantee ceased, the deposit was returned to the respondents.

The Crown contended that these amounts should be based on the face value of each sale. The Court of Appeal held against the Crown, which appealed to the House of Lords. There was no cross-appeal by the respondents, and therefore the House of Lords was bound to confirm the decision of the Court of Appeal, upholding that the respondents were to be assessed to tax on the sums deposited with the building society as a receipt of trading profit on proper actuarial valuation at the completion of each sale, and not on their face value.

Terms used in Published Accounts of Limited Companies—I

ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

It is important for shareholders and others interested in published accounts that the items appearing in them should be described in terms which are clear and significant. The Council of The Institute of Chartered Accountants in England and Wales therefore issues these notes in the hope that they will be helpful to members of the Institute in advising on the use of appropriate terms.

The Council wishes to emphasize that the terms used in accounts should be those which are most appropriate in any particular circumstances. The issue of these notes is not intended to imply that the terms suggested herein should be used slavishly and without regard to the circumstances of the company concerned. Members who are advising as to the terms to be used should suggest the use of terms other than those set out in these notes where those other terms would be more appropriate in the circumstances, particularly where they would facilitate the presentation of the true and fair view which the balance sheet and the profit and loss account are required to show.

The notes are concerned only with terminology and not with the form in which the accounts are presented, the manner in which assets and liabilities are classified or the grouping and location of items in the accounts. On these matters reference should be made to the Council's series of Recommendations on Accounting Principles, particularly numbers 18 to 22.

These notes have been prepared as a result of an examination of the published accounts of a large number of companies. The main selection for this purpose was of companies shown in the Stock Exchange Daily List, the selection being made approximately proportionate to the number of companies shown in each classification of that List. In addition the accounts of a number of small and medium-sized companies which were considered to contain points of special interest were included. The examination has included the accounts of breweries, commercial and industrial companies, land and property companies, investment trusts, iron and steel companies, mining, oil, rubber, tea, shipping and transport companies.

In each section of these notes the suggestions made are preceded by a commentary on the terms found in published accounts. These commentaries are throughout related to the accounts examined for the purpose of preparing these notes.

INTRODUCTION

1. There are two principal aims to be kept in mind when deciding on the terms for use in published accounts:

(*a*) **Clarity.** This involves attention to the following points:

(i) *Simplicity.* Concise expressions and simple words should be used, subject to the adoption where necessary of terms used in the Companies Act, 1948, or in tax legislation, or terms having an accepted accounting significance. Technical terms peculiar to the business or industry should in general be avoided unless they are essential to a correct description.

(ii) *Presentation of detail.* Where it is necessary or desirable to amplify items by means of notes or in statements annexed to the accounts, the items and the relevant details should be identifiable by appropriate reference numbers or letters and the wording used in the notes or statements should correspond with the descriptions used in the items to which they relate.

(*b*) **Significance.** The accounts should be so presented as to enable significant descriptions to be applied to the figures. This involves attention to the following points:

(i) *Composite items.* The inclusion of dissimilar components in one narrative is to be deprecated; it is preferable to state them as separate items.

(ii) *Immaterial items.* Where a single amount comprises several components no useful object is attained by referring in the narrative to any component which is not material in amount.

(iii) *Sub-totals.* Appropriate descriptions are desirable for all significant sub-totals; and it is desirable to avoid sub-totals having no significance.

2. The word 'year' has been used in these notes to indicate the accounting period of the company. This procedure is similar to that adopted in the Companies Act, 1948, where, for convenience of terminology within the Act, 'financial year' is defined in section 455 as meaning the period in respect of which any profit and loss account is made up, whether that period is a year or not. In practice, where a company prepares its profit and loss account for a period other than twelve months (for example where there has been a change in accounting date, or where it is the practice to make up the accounts for fifty-two or fifty-three weeks) the company will make the situation clear by appropriate wording in the heading and in the terms used in the account itself. Similarly, the corresponding figures for the previous accounting period will indicate clearly the period to which they relate.

SHARE CAPITAL AND RESERVES

3. A heading is sometimes used to describe the items summarized in that section of the balance sheet which shows the members' interests in the company. Varied expressions are used to describe these interests,

such as 'Capital and reserves', 'Capital, reserves and surplus'. Sometimes the word 'Share' or the words 'Total share' precede the word 'Capital'. Other examples found are expressions such as 'Members' interests', 'Capital employed', 'Total capital, reserves and retained earnings', 'Funds employed', 'Total funds' and 'Shareholders' capital'.

Suggestion

4. Where a heading is used above the items comprising the members' interests in the company, the heading should be factual, such as SHARE CAPITAL AND RESERVES. *Expressions such as 'net worth' which are liable to be misunderstood should be avoided.*

Share Capital

5. The heading 'share capital' or the single word 'capital' is generally used. The single word 'capital' may be misleading, as it has various meanings and frequently comprises not only issued share capital but also reserves retained in the business.

6. Section 455 of the Companies Act, 1948, states that share means a share in the share capital of a company and includes stock except where a distinction between stock and shares is expressed or implied.

7. Headings are usually provided to distinguish between the authorized share capital and the issued share capital. The word 'authorized' is almost invariably found, but the issued capital is described in a variety of ways. The single word 'issued' is found frequently. Other expressions are 'issued and converted into stock', 'issued and fully paid' and 'issued, fully paid and converted into stock'.

8. The items summarized under the appropriate headings vary considerably according to the simplicity or otherwise of the capital structure.

Suggestions

9. (*a*) *The heading* SHARE CAPITAL *is preferable to the single word 'capital'. The heading* SHARE CAPITAL *is appropriate whether or not shares have been converted into stock.*

(*b*) *When the authorized and fully paid share capitals are identical, the description and amount need be stated once only and may be described as* AUTHORIZED, ISSUED AND FULLY PAID. *Where the authorized and issued share capitals differ the first description should be* AUTHORIZED *and the second, where appropriate,* ISSUED AND FULLY PAID. *If, however, some part of the issued share capital is not fully paid, other suitable descriptions should be used.*

(*c*) *The description of each class of share capital should, so far as is practicable, follow the wording of the company's memorandum and articles of association.*

(*d*) *Shares of a class which differs from another class solely or mainly by reason of the absence or restriction of voting rights should be described to show this limitation.*

(*e*) *Any issued share capital converted into stock should be described as* STOCK.

Share premium account

10. The description 'Share premium account' is usual, but there are variations such as 'Share premiums', 'Premium on shares' and 'Premium on shares less expenses of issue'.

11. Section 56 of the Companies Act, 1948, requires that a sum equal to the aggregate amount of the premiums on shares shall be transferred to an account to be called the 'share premium account'.

Suggestion

12. The statutory expression SHARE PREMIUM ACCOUNT *is normally appropriate.*

Reserves

13. The requirement of paragraph 6 of the Eighth Schedule to the Companies Act, 1948, that the aggregate amounts of capital reserves and revenue reserves shall be stated under separate headings, is usually met by the use of the headings 'Capital reserves' and 'Revenue reserves', frequently followed by items indicating the nature of these reserves. Occasionally a heading 'Reserves' is found followed by sub-headings 'Capital' and 'Revenue'.

14. The heading 'Revenue reserves' is sometimes amplified or varied, for example, 'Revenue reserves and surplus', 'Revenue reserves and unappropriated profits', 'Revenue reserves and undistributed profits', 'Earnings retained in the business', 'Retained earnings'.

15. Varied descriptions are used for reserves which appear to be of the same nature. Where there are reserves of a special nature the descriptions usually indicate either their source or the specific purpose for which they have been set aside, although examples are found where the descriptions employed are uninformative, for example, 'Contingencies reserve'.

16. Various descriptions such as 'Fixed assets replacement reserve', 'Fixed assets replacement', 'Reserve for replacement of fixed assets' and 'Freehold buildings replacement reserve' are used to describe amounts so set aside.

17. Reserves which represent realized surpluses from the sale of capital assets are usually described by expressions indicating their source, such as 'Surplus on realization of investments'. Examples of a less specific nature are 'Realized capital profits' and 'Capital accretions reserve'.

18. Another reserve which is described by its source and not the purpose for which it has been set aside is that which arises on a revaluation of fixed assets. Descriptions used include 'Arising from revaluation of fixed assets', 'Revaluation reserve', 'Fixed assets revaluation reserve' and 'Surplus on revaluation of freehold premises'.

19. Under the heading of revenue reserves there is a wide variety of items although 'General reserve' and 'Profit and loss account' are almost invariably found. Examples of other descriptions are 'Stock depreciation', 'Reserve for variation in raw material prices', and 'Stock financing reserve'.

Suggestions

20. (*a*) *The descriptions* CAPITAL RESERVE(S) *and* REVENUE RESERVE(S) *are normally appropriate as headings to groups of reserves or as descriptions of single items.*

(*b*) *The expression* CAPITAL RESERVE *is appropriate for a reserve which for statutory reasons or*

because of the provisions of the memorandum or articles of association of a company or for other legal reasons is not free for distribution through the profit and loss account.

(*c*) *The expression* CAPITAL RESERVE *may also be applied to any other reserve which although legally distributable is regarded by the directors as not available for distribution through the profit and loss account at the date of the balance sheet.*

(*d*) *Subject to any provision in the articles of association prescribing another name, it will normally be appropriate to describe a reserve as* GENERAL *to distinguish it from another reserve specifically described, or in the case of a revenue reserve to distinguish it from the profit and loss account balance.*

(*e*) *The description* RESERVE FUND *is not appropriate unless the reserve is represented by specifically earmarked investments (or other assets) realizable as and when required at not less than the amount of the 'reserve fund'. Exceptions arise from the statutory requirement to describe a 'capital redemption reserve fund' as such and from any provision of the memorandum or articles of association, or other instrument constituting or regulating a company, requiring a reserve to be described as a 'fund'.*

Profit and loss account

21. The expressions used in the balance sheet for the unappropriated balance of profit are varied, the most common being 'Profit and loss account'. This wording is often expanded by the addition of such words as 'Balance unappropriated', 'Balance per annexed account', 'Balance carried forward', and other expressions in which the word 'Balance' is incorporated. Other descriptions used are 'Unappropriated profits', 'Undistributed profits', 'Undivided profits' and 'Surplus'.

22. Some companies, primarily those of the investment trust or property owning type, use the expression 'Revenue account' or 'Revenue appropriation account'.

Suggestions

23. (*a*) *The expression* PROFIT AND LOSS ACCOUNT (*or* REVENUE ACCOUNT *if that designation is used*) *or the expression* UNAPPROPRIATED PROFITS *is normally appropriate for this item in the balance sheet.*

(*b*) *Where there is a debit balance, the expression* PROFIT AND LOSS ACCOUNT (*or* REVENUE ACCOUNT) – ADVERSE BALANCE *is normally appropriate.*

(*c*) *The term 'surplus' is liable to be misunderstood as implying that a valuation of the assets has been made and that the amount shown as 'surplus' represents the valuation excess, over the book amounts, which is not reflected in the share capital and reserves shown.*

Amounts set aside for future taxation

24. Amounts set aside for future tax are usually shown as separate items, not aggregated with reserves, and the word reserve is not generally used. The more usual expressions employed to describe these items are 'Future taxation', 'Future United Kingdom taxation', 'Future income tax', 'Amounts set aside for future taxation'. The description 'Reserve for future tax' is sometimes found.

25. In order to comply with paragraph 11 (10) of the Eighth Schedule to the Companies Act, 1948, additional words are normally included to indicate the basis on which the amount has been computed. This is usually done by stating the year of assessment and/or the date on which the amount will be payable. Where amounts have also been set aside because tax has been deferred by capital allowances, this is shown by describing the relevant part of the amount set aside for future tax as 'Taxation deferred by capital allowances', 'Deferred liability due to initial allowances', and 'Taxation equalization account'.

26. Amounts set aside for future tax are sometimes grouped with reserves, as part of a total comprising share capital and reserves. The amount is usually extended separately but sometimes it forms part of a sub-total of revenue reserves. The most common expressions used are 'Reserve for future taxation', 'Future taxation', and 'Future income tax'. The year of assessment, or the basis on which the amount set aside has been computed, is generally also given.

Suggestions

27. (*a*) *The description* FUTURE INCOME TAX *is normally appropriate to describe an amount set aside for this purpose. An alternative is* INCOME TAX 19...../.....

(*b*) *To comply with paragraph 11 (10) of the Eighth Schedule to the Companies Act, 1948, if the basis on which the amount, if any, set aside for United Kingdom income tax is not given elsewhere in the accounts, the wording should be supplemented by descriptions such as:*

YEAR 19...../.....

or

BASED ON THE PROFIT OF THE YEAR TO DATE

(*c*) *If the full amount of income tax which is expected to be payable by reference to all profits to date is not set aside in the balance sheet, any amount set aside in respect of income tax which is not a liability at the date thereof may be suitably described as* AMOUNT SET ASIDE TOWARDS FUTURE INCOME TAX.

(*d*) *Where the total amount set aside for future tax includes tax deferred by capital allowances, a suitable heading for the group is* FUTURE TAXATION *accompanied by sub-divisions such as:*

FUTURE INCOME TAX

TAX DEFERRED BY CAPITAL ALLOWANCES (*or, if appropriate,* TAX EQUALIZATION ACCOUNT; *an item so described may need to be amplified by note*).

(*e*) *Where tax deferred by capital allowances takes into account only tax deferred by initial allowances the word* INITIAL *should replace* CAPITAL *in (d) above.*

LIABILITIES

Liabilities other than current liabilities

28. Where a group heading is given to liabilities other than current liabilities, the heading 'loan capital' or 'loans' is usually found. Other variations are 'unsecured loan stocks' and 'debenture stocks'.

29. Normally the terms used to describe such liabilities follow the description of the loan used at the time of its issue. Where debentures are secured they are described as 'secured' or as 'mortgage'. Where loans are not secured they are usually referred to as 'unsecured'. The date of redemption of loans and debentures is normally indicated by stating the years in which there will be power to redeem the particular loan. The rate of interest payable on a debenture or loan stock is usually indicated.

30. Information concerning redemptions and purchases of debentures and loan stock is given by describing the amounts redeemed or purchased as 'less redeemed and purchased', 'less purchased' or 'less redeemed and cancelled to date'.

Suggestions

31. (*a*) *Where a heading is given to a group of liabilities other than current liabilities, one of the following will normally be suitable:*

LOAN CAPITAL

DEBENTURE AND LOAN STOCKS

DEBENTURE STOCKS AND MORTGAGES

(*b*) *The description of each class of debentures or other loans should, as far as is practicable, follow the wording used in the documents relating to the terms of issue of the debenture or loan. The dates and material terms of redemption or conversion should be indicated.*

(*c*) *Loans and debentures redeemed and available for reissue may be described as:*

REDEEMED AND AVAILABLE FOR REISSUE

If the amounts redeemed are not available for reissue and it is desired to record the fact that they have been redeemed an appropriate expression would be:

REDEEMED AND CANCELLED

Interest accrued on debentures and other loans

32. Accrued interest on debentures and other loans is not generally shown separately. Where it is shown, its description depends upon its position in the accounts. Where interest is shown as an addition to the amount of the debenture or loan it is described as 'interest accrued' and 'interest accrued thereon'.

33. Where interest accrued is grouped with 'current liabilities' it is described as 'debenture interest', 'debenture stock interest less income tax', 'accrued debenture interest (net)', 'accrued interest on loan capital' and 'interest accrued on debenture stock (less income tax)'.

Suggestion

34. The description of interest accrued on debentures and other loans should indicate whether it is stated gross (which may be necessary if it is not covered by profits) or net. A description such as ACCRUED INTEREST ON DEBENTURE STOCK (OR LOAN) LESS INCOME TAX *would normally be appropriate.*

Provisions

35. Normally provisions are grouped with current liabilities and proposed dividends, but the term 'provisions' is sometimes found as a heading to a separate group. The provisions shown include those which relate to renewals, replacement and maintenance of assets and to amounts set aside for pensions and other benefits for staff. A variety of expressions is used to describe the different provisions. The terms used are generally related to the business operated by the company, but sometimes there is a reference to provision for contingencies.

Suggestion

36. The term PROVISION *with an indication of the purpose for which the amount has been set aside will normally be adequate to describe an amount retained by way of providing for any known liability of which the amount cannot be determined with substantial accuracy, such as:*

PROVISION FOR STAFF PENSIONS

PROVISION FOR DEFERRED REPAIRS

Current liabilities

37. The heading 'current liabilities' is generally used to describe the group of items which includes creditors, accrued expenses, provisions and proposed dividends. The group is sometimes described as 'current liabilities and provisions'. The word 'dividend' sometimes appears in the description of the group. The simple heading 'liabilities' is also sometimes found.

Suggestion

38. The terms CURRENT LIABILITIES *or (where there are provisions of material amount)* CURRENT LIABILITIES AND PROVISIONS *are suitable headings for a group of items shown separately thereunder, including creditors, proposed dividends, current taxation and (where appropriate) provisions.*

Bank advances

39. The expression commonly used to describe bank overdrafts is 'bank overdraft(s)'. Other expressions sometimes found are 'bank loans and overdrafts', 'bank advances', 'amount due to bankers', 'net amount due to bankers on current accounts' and 'owing to banks'.

Suggestion

40. The terms BANK ADVANCES, BANK OVERDRAFT *or where appropriate,* BANK LOANS AND OVERDRAFTS *are normally suitable to describe indebtedness to bankers.*

Secured liabilities

41. Paragraph 9 of the Eighth Schedule to the Companies Act, 1948, prescribes that where a liability is secured otherwise than by operation of law on any assets of the company, the accounts shall indicate that fact. The single word 'secured' is used for this purpose in some accounts but in others there is amplification

by the use of words such as 'secured by floating charge' and 'secured on freehold property per *contra*'.

Suggestion

42. Where a liability is secured it will be sufficient to include the word SECURED *in the description, unless there are reasons which make it necessary or desirable to amplify.*

Creditors

43. A variety of terms is used to describe the amount due to trade and expense creditors. The term most commonly used is 'creditors' but others are 'creditors and accrued charges', 'sundry creditors' and 'creditors and accrued expenses' with many other variations.

Suggestions

44. (a) The single word CREDITORS *is adequate to cover all amounts payable and may be used without additional wording if this is sufficiently explanatory and there is only one category of creditor. An alternative which may be suitable in some circumstances is* AMOUNTS PAYABLE.

(b) If there is more than one category of creditors the word CREDITORS *may be amplified and for a trading company the expression* TRADE CREDITORS *may be appropriate for items to which that term can fairly be applied, that is to say excluding bank accounts, taxes, liabilities on financing transactions and other items such as:*

ACCRUED CHARGES (*or* EXPENSES)
BILLS PAYABLE
ACCEPTANCE CREDITS
LOANS

Taxation

45. Current taxation normally appears as a separate item within the group 'current liabilities' but the descriptions used are very varied. The description 'current taxation' is often used but almost as frequently the term 'taxation' appears alone. Information is sometimes given to indicate the basis on which the amount set aside has been computed or the date on which it is due to be paid, or that the amount so set aside includes amounts for both income tax and profits tax. Occasionally the amounts set aside for tax are described as 'provisions for taxation' and sometimes reference is specifically made to 'United Kingdom taxation'.

Suggestions

46. (a) The liability for current tax may be described as CURRENT TAXATION *or* TAXATION, *with such amplification as may be necessary to indicate the basis on which the amount has been computed.*

(b) If a material part of the amount shown is uncertain or in dispute the words PROVISION FOR *should precede the description.*

Dividends

47. There is an extensive variety of terms used to describe dividends. The word 'proposed' is usually included where applicable. Preference and ordinary dividends are normally shown separately in detail. The words 'less income tax' are usually used to indicate net amounts.

Suggestions

48. (a) One or more of the following terms is normally appropriate to describe dividends paid or payable:

PROPOSED DIVIDEND(S)
PROPOSED FINAL DIVIDEND(S)
PREFERENCE DIVIDEND(S)
PREFERENCE DIVIDEND(S) ACCRUED
INTERIM DIVIDEND(S) PAID (*or* PAYABLE) ON.....

The words (less INCOME TAX) *or* (NET) *are appropriate to indicate the deduction of income tax.*

(b) DIVIDENDS *is a suitable heading for a group of two or more items.*

Contingent liabilities and future commitments

49. Paragraph 11 (5) of the Eighth Schedule to the Companies Act, 1948, requires the disclosure of 'the general nature of any other contingent liabilities not provided for and, where practicable, the aggregate amount or estimated amount of those liabilities, if it is material'. The accounts of some companies do not state the amount and/or the general nature of the contingent liabilities which are stated to exist. These accounts appear not to comply with the Act except where an amount is not stated because it is not practicable to make an estimate or because it is not material.

50. References to contingent liabilities or future commitments do not always make clear whether the amount stated is before or after taking into account potential tax relief for example:

'The company has obligations under guarantees in respect of their employees' pension schemes (not provided for in these accounts) which will be discharged by annual payments. These payments are £ . . . for next year, £ . . . per annum for a further ten years and £ . . . per annum for each of the following seven years.'

51. Paragraph 11 (6) of the Eighth Schedule to the Companies Act, 1948, requires disclosure of 'where practicable, the aggregate amount or estimated amount, if it is material, of contracts for capital expenditure, so far as not provided for'. Some accounts refer to 'commitments for capital expenditure' or 'capital commitments'. In Recommendation 18, paragraph 26, the Council indicated that 'contracts' is preferable to 'commitments' which may have a wider significance.

52. Examples of wording which gives useful information beyond the strict requirements of the Companies Act are:

'Capital expenditure sanctioned by the Board and outstanding at . . . , amounts to £ . . . (previous year £ . . .). Contracts placed against these sanctions and not provided for in these accounts amount to £ . . . (previous year £ . . .)'.

'Commitments in respect of contracts for capital expenditure amount to approximately £ . . . (previous year £ . . .). The unexpended balance of schemes approved by the Directors, in addition to commitments at . . . amounts to £ . . .'.

Suggestions

53. (a) The great variety of circumstances in which contingent liabilities and future commitments exist make it impracticable to suggest particular

terms (except as indicated in (b) below) but in determining appropriate wording regard should be paid to the following considerations:

(i) the general nature and, where practicable, the estimated amount should be made clear;

(ii) the wording should make clear, where relevant, whether the amount is stated before or after taking account of potential tax relief;

(iii) where the item relates to uncalled liabilities or partly-paid shares the wording should indicate, where applicable, that the shares held are shares in a subsidiary.

(b) In relation to capital expenditure the description CONTRACTS FOR CAPITAL EXPENDITURE *is normally appropriate, with suitable wording to indicate that the expenditure is not included in the balance sheet. Where additional information is also given beyond the contracts entered into an appropriate expression would be* FUTURE CAPITAL EXPENDITURE AUTHORIZED BY THE BOARD, *with suitable wording to distinguish that part of the total which represents contracts.*

FIXED ASSETS

Description of fixed assets

54. Assets which are not held for sale and are usually included under the heading 'Fixed assets' are: land and buildings; plant, machinery, equipment and utensils; tools, jigs, patterns; fixtures, fittings, office equipment and machines; and vehicles and other transport equipment. Assets such as goodwill, patents, trade-marks and mineral rights are usually shown under 'Fixed assets' but sometimes they are shown under a separate main heading such as 'Goodwill' or 'Goodwill, patents and trade-marks'.

55. Occasionally all the assets of the kind mentioned above are included in one composite heading (for example, 'Land, buildings, plant, machinery and equipment') but more frequently the assets are shown in at least two separate items. Where a composite heading is used further details of the assets included in the composite heading are usually given in a note or statement annexed to the balance sheet; this practice is often also followed where there is a limited subdivision of assets in the balance sheet.

56. Land and buildings are generally shown together as a separate item rather than merged with other fixed assets. 'Land and buildings', 'Property', 'Properties' or 'Premises' are apparently used as synonymous terms and it is common practice to prefix the description with 'Freehold' or 'Leasehold' or with both. 'Freehold land and buildings' and 'Leasehold land and buildings' are each shown separately in an appreci-

[redacted]

single item. 'Plant and machinery' is the simplest form of this type of item, but 'Plant, equipment and vehicles' is also used. Motor vehicles, furniture, fixtures, office machinery, and other equipment are not in general stated separately except in companies owning only this kind of fixed asset or a relatively material investment in such assets.

58. Fixed assets are sometimes more specifically described, for example, rubber estates, mining property, reservoirs, shipyards, licensed premises, theatres, pipelines, refineries, tank installations, ships, rolling stock, coke ovens, barges, aircraft, amusement devices.

59. Occasionally the descriptions used include a reference to the geographical location of the assets (for example, 'Mine at Blanktown'; 'Fixed assets of overseas subsidiaries' (distinguished from those of the holding company and its United Kingdom subsidiaries)) or are sub-divided according to the different activities of the company or group.

60. Development expenditure is commonly grouped with fixed assets, though shown as a separate item, under such descriptions as 'Expenditure on development', 'Development schemes', and 'Mining property under development'. One balance sheet contained a separate item for uncompleted fixed assets, 'Capital works in progress and equipment therefor at cost, and payments on account of buildings and plant under construction'.

Suggestions

61. *(a) The heading* FIXED ASSETS *is appropriate for both tangible and intangible assets, development expenditure, and buildings or plant under construction.*

(b) Ordinary, rather than technical, language is preferable in describing fixed assets, but there may be advantages in showing separately special kinds of assets peculiar to the company's trade or circumstances if material in amount.

(c) The terms:

FREEHOLD LAND AND BUILDINGS

LEASEHOLD LAND AND BUILDINGS

are normally appropriate for those classes of asset.

(d) The word 'Property' may sometimes be used with advantage to indicate land and buildings which are owned for letting, or not occupied for the purpose of the company's main activity, for example:

HOUSE PROPERTY

SHOP PROPERTY

indicating whether they are freehold or leasehold

reasons which make them significant in the circumstances of the company.

Goodwill and other intangible assets

62. One composite item is generally used for such assets as goodwill, patents, trade-marks, mineral rights, licences and royalty agreements, and its description varies accordingly. Where there is more than one such item, the heading 'Intangible assets' is sometimes used.

Suggestion

63. The various kinds of intangible assets should bear their appropriate descriptions, e.g. GOODWILL, PATENTS. *Where the accounts show a sub-division of items of this kind the heading used should indicate the nature of the items it comprises.*

[NOTE. – For 'goodwill arising on consolidation' see paragraphs 179 to 181.]

Cost, valuation and net book amount

64. Paragraph 4 (3) of the Eighth Schedule to the Companies Act, 1948, requires the methods used to arrive at the amount of the fixed assets under each heading to be stated. Where the cost of the assets is stated, the term 'cost' or 'at cost' is normally used. Occasionally the adjective 'original' or 'aggregate' is introduced.

65. The net amount at which any assets stood in the company's books at the commencement of the Companies Act, 1948, is permitted, by paragraph 5 (1) of the Eighth Schedule to the Act, to be treated as if it were the amount of a valuation of those assets made at that date. 'Book value', 'net book value', 'net book amount' and 'net amount standing on the company's books' followed by the date adopted, are terms used, apparently synonymously. 'Subsequent additions at cost' and 'additions since at cost' are also found. The term 'gross book value' is sometimes used as a column heading to cover amounts arrived at by various methods, including valuation, before the deduction of depreciation.

66. The narrative varies widely where the figures shown have been determined by a valuation; for example, the date of the valuation may be given, it may be stated that the valuation was made by the directors, or that it was an 'independent valuation', or the fact that the valuation was approved by the shareholders at an extraordinary general meeting may be noted. Where the basis of a valuation is in the nature of a formula, rather than exercise of individual judgment, a note of the formula is occasionally given.

67. Sometimes there are separately stated items relating to such assets as 'loose plant', 'tools', 'dies', 'patterns', 'utensils' and 'sundry equipment' in respect of which figures of cost and depreciation are not shown. Presumably such assets are considered to be of the kind referred to in paragraph 5 (2) (*a*) of the Eighth Schedule to the Companies Act, 1948, namely, assets for which the separate figures of cost and aggregate depreciation cannot be obtained without unreasonable expense or delay. Examples of the terms used to indicate how the amount stated in respect of these items is arrived at are: 'at cost less amounts written off', 'at net book value', 'as valued by the company's officials', 'written down values' and 'annual valuation'.

Suggestions

68. (*a*) *The expression* COST *is appropriate where this is the sole method used to arrive at the amount of an item.*

(*b*) *The term* NET BOOK AMOUNT* AT..... *is appropriate for pre-1948 assets remaining and stated separately in the accounts on this basis, followed by* JULY 1ST, 1948, *or whatever date was selected for arriving at the amount.*

(*c*) *An item comprising both methods of arriving at the amount may appear as:*

NET BOOK AMOUNT* AT..... WITH SUBSEQUENT ADDITIONS AT COST

***The use of the term 'book value' is liable to be misunderstood as implying that an actual valuation was made and incorporated in the books at the date named; the expression 'net book amount' or 'amounts at which assets are carried in the books' is therefore preferable.**

(*d*) *The following expressions are appropriate where any assets are included at a valuation and it is desired to give an indication of the date of the valuation and also whether the valuation is internal or external:*

AS VALUED BY THE DIRECTORS IN 19.....

AT PROFESSIONAL VALUATION IN 19.....

with the addition, if appropriate, of the words WITH SUBSEQUENT ADDITIONS AT COST.

(*e*) *Where, by virtue of paragraph 5 (2) (a) of the Eighth Schedule to the Companies Act, 1948, for certain assets (such as jigs, tools, and fixtures) figures of cost and depreciation are not shown but only a net amount, a suitable indication of how this amount is arrived at would be either:*

AT COST LESS AMOUNTS WRITTEN OFF

or

AS VALUED BY THE COMPANY'S OFFICIALS

whichever is appropriate.

Depreciation

69. The single word 'Depreciation' is sometimes used to describe the aggregate amount provided or written off since the date of acquisition or valuation of the assets concerned. Among the other varied expressions used are 'Depreciation to date', 'Provisions for depreciation', and 'Accumulated provisions for depreciation'. The terms 'Amortization' or 'Depletion' are also found, indicating respectively the wastage of assets occurring by reason of the effluxion of time and by the extraction of minerals.

Suggestions

70. (*a*) *It is normally appropriate to describe the aggregate of amounts set aside for depreciation of fixed assets as:*

ACCUMULATED DEPRECIATION

or

DEPRECIATION

unless terms such as AMORTIZATION *or* DEPLETION *would indicate more precisely the nature of the provision.*

(*b*) *A deduction not being an amount calculated by reference to the expected life of the asset may be described as* AMOUNT(S) WRITTEN OFF.

(To be continued.)

Weekly Notes

THE INSTITUTE'S ANNUAL MEETING

THE eighty-first annual meeting of The Institute of Chartered Accountants in England and Wales was held last Thursday, after this issue had gone to press. The full text of the President's address, together with a report of the proceedings at the meeting, will appear in our next issue. The annual report of the Council and the accounts for the year 1961 were published in our issue of April 21st.

Following the Institute's meeting, the seventy-sixth annual general meeting of The Chartered Accountants' Benevolent Association was held, and a report of the proceedings at this meeting will also be published in next week's issue.

BUOYANCY AND BANK RATE

THE reduction in Bank rate from 5 to 4½ per cent last week was hardly a surprise. The markets had to some extent discounted it before it occurred. Nevertheless, when it was announced the Stock Exchange responded noticeably and the improvement has carried on into this week, shrugging off the poor sentiment in Wall Street as it has gone along.

It is not likely that the decline of ½ per cent will by itself have a big effect on business sentiment. The decision to change the rate was taken partly to further discourage the movement of short-term capital especially from New York and to give the domestic economy a nudge rather than a push. There will, of course, be an immediate benefit in the cost of servicing the National Debt and in the terms at which local authorities may borrow, but the effect on business is likely to take longer to work through. A change of confidence in the boardrooms takes longer to bring about and it is not until the benefits are felt there that there will be a change in decisions about the level of capital expenditure to put in hand.

Meanwhile the Chancellor of the Exchequer has made his own contribution to improve business sentiment. Speaking at Sheffield last Monday he said that another £25 million had been repaid to the International Monetary Fund. This means that about half the loan raised in that quarter last July has been returned. In confident mood, Mr Lloyd said that sterling was now secure and he went on to predict a substantial improvement in this country's balance of payments position this year.

A STRIKE BALLOT FAILS

THE decision of the rank and file in most of the member unions of the Confederation of Shipbuilding and Engineering Unions against strike action (not all constituent unions will have been against it) shows once again the different reaction which is likely to be favoured when the general membership have a chance to express their views as opposed to national delegates and executive committees. In these last two the militants in the union are usually well entrenched and calls for industrial action from them are not difficult to evoke.

The decision not to strike has sent the unions back to the employers for a further bout of negotiation and so about three months' negotiation time has been lost by the unions. Officially the full figures on the ballot will not be known for another ten days or so but there are plenty of straws as well as ballot papers in the wind and the final outcome is only too well known.

This conservatism, taking the form of a desire for industrial peace, is not difficult to understand. Several weeks on strike pay in days of a fairly high standard of living and heavy commitments on hire-purchase are the dread of housewives who will have to make ends meet. They have little influence at a union meeting when the militants get to work on a group loyalty theme but in the quiet of the home the distaff side is powerful and vocal. The ballot is clearly a useful instrument for the moderates just as the delegate conference is for the militants.

UNIONS AND THE E.C.M.

BY a coincidence, this week has seen the publication by Political and Economic Planning of a pamphlet called *Trade Unions and the Common Market* (P.E.P., price 4*s*). It has been written by Mr R. Colin Beever, assistant research officer of the Amalgamated Engineering Union. The coincidence lies in the fact that several trade union conferences have been in session round Easter and some of them have tried to tackle the question of membership of the European Common Market. In most cases they have approached the subject somewhat gingerly.

The pamphlet says that they need not be fearful. Mr Beever's preliminary point is, however, one of *force majeure*. He thinks that this country will go into the European Common Market if it can get a formula which is acceptable to the Commonwealth and that the Government will not wait for trade union approval. In his view, therefore, the trade union movement should not be asking whether this country should go in but what should be trade union policy when it is in. Workers on the Continent have had a major success, more so than those in this country, in winning fringe benefits, although often these have come through political pressure and been embodied in legislation rather than in union action. On the other hand the trade unions in this country are better organized.

In the last few days the agricultural workers have voted against entry unless there are safeguards – as the farmers have done. The Union of Shop, Distributive and Allied Workers has decided to remain on the fence and the engineers have been exhorted to take a favourable view. On the whole, organized labour remains cautious and suspicious on the issue.

APPRENTICES IN ENGINEERING

ACCORDING to a survey of apprentices recently carried out by the Engineering Employers' Federation, there has been a drop in the ratio of apprentices to skilled men from 1:4·6 in 1958 to 1:4·7 in 1961. In the companies taking part in the survey, the number of apprentices rose by 3 per cent over this period while the number of skilled men went up by 5 per cent.

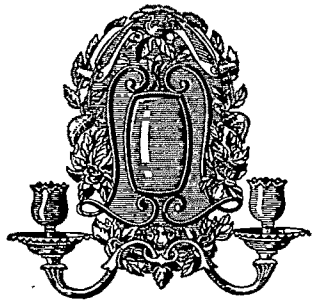
The investigation covered nearly 2,500 companies, a very big sample of the engineering industry. Last year these companies took on about 18,000 new apprentices net of wastage, a higher figure than they will take on this year. The wastage rate was 6 per cent last year.

There has been a notable increase in the number of companies operating 'technician' apprenticeship schemes. Some 10 per cent of the companies in the sample had such schemes in 1958, but by 1961 it was 15 per cent. There was also an increase in the number of companies running their own training schools. This is the latest indication that industry is increasingly training a 'technician' grade between the fully-fledged technologist and the skilled man.

LOOKING ABROAD

THE recently issued Spring 1962 number of *Moorgate and Wall Street*, a periodical review put out jointly by Philip Hill, Higginson, Erlangers Ltd and Harriman Ripley & Co Inc. of New York, has a useful Common Market flavour. There is an article by John F. Chown which takes a look at merchant banking in Britain and in the 'new Europe', and another on 'Investing in French securities' by Guy de Carmoy who, in a short section on company accounts, draws attention to the fact that while it is the policy of French companies to give only outline information to shareholders, since 1959 public companies are required to publish turnover figures every half-year. Consolidated accounts for parent or subsidiary companies are not required in France, and the presentation of accounts is neither uniform nor clear; invariably the method of stock valuation is not shown, nor is there always a complete statement on allowed depreciation.

There is also a lengthy review on 'United Kingdom capital exports and Canadian economic development' by Dr John Dunning, who comes to 'some new and somewhat depressing conclusions about the results of British investments' in Canada.



THE ACCOUNTANT

ANNUAL AWARDS for 1962

The two companies which have been selected to receive *The Accountant* Annual Awards for 1962 are:

ROLLS-ROYCE LTD
and
ATKINSON LORRIES (HOLDINGS) LTD

The reports and accounts of these companies were judged the best of the 1,250 entries for this year's Awards. The entry figure again exceeded those in previous years.

Each year's Awards are for reports and accounts presented at company annual meetings held during the previous calendar year. The Award to Rolls-Royce, therefore (which is that for large companies) is in respect of their accounts for the year ended December 31st, 1960, presented at the company's fifty-fourth annual general meeting on July 11th, 1961.

Atkinson Lorries receive the Award for 'smaller' companies requiring less complex accounts than those of a large group, in respect of their accounts for the year to March 31st, 1961, presented at the company's annual general meeting on October 3rd, 1961.

The Lord Mayor of London, Alderman Sir Frederick Hoare, has kindly consented to present the Awards at the Mansion House on May 29th, in the presence of a distinguished company representing the City, the professions, commerce and industry.

The Awards, which are of equal rank, each take the form of a pair of hand-made silver wall sconces inscribed with the name of the winning company and specially designed with ancient and modern symbolism depicting commerce and accountancy. They are made annually to companies whose shares are quoted on a recognized stock exchange in the United Kingdom in relation to the form and content of their published reports and accounts; particular importance is attached to the adequacy of the information given and its presentation.

Panel of Judges

The members of the Panel of Judges are: Mr K. W. Mackinnon, M.B.E., T.D., Q.C. (Chairman); Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr A. W. Giles, M.A., C.A.; Mr J. E. Harris, B.COM., F.A.C.C.A.; Mr Donald V. House, F.C.A.; Mr J. A. Hunter, M.B.E., T.D.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*.

SHIPBUILDING IN THE TROUGH

THERE has been a welcome recovery in shipbuilding orders for export account over the last few weeks, thanks to some extent to the better credit facilities which can be offered. But the prospect for the industry as a whole will not be good until there is an improvement in the flow of orders from British shipowners.

Mr John Hunter, chairman of Swan, Hunter & Wigham Richardson (a company with a high record of technical and managerial efficiency) pointed out recently that the competition on credit terms had come to such a pitch in the international shipbuilding market that British owners can build ships on more advantageous terms abroad than can the local owners, and foreign shipowners can build on better terms in this country than can British ship-owners. The fact is that the shipbuilding industry in this country relies for about 80 per cent of its business on British shipowners and they are at present slow to order.

Last year's accounts for some of the biggest and most efficient shipbuilding companies compared favourably with those for the year before, but the figures of tonnage under construction in the first quarter of this year show the lowest volume of shipping under construction for seventeen years.

This is My Life . . .

by An Industrious Accountant

CHAPTER 122

I'D always wanted to arrange a reunion of those that are still to be contacted from the group that were articled clerks with me in our old office. Time passes so fast and people drift apart so imperceptibly, that old friendships lapse almost unnoticed. But I got down to the job recently, by telephone and letter, and finally gathered a few of the gang together again.

There was a pleasurable nostalgia in looking back on the old days, like *Forty Years On* translated to an industrial setting. That last year, for instance, when we were swotting for our Final exams., or had them behind us and were looking for fresh realms to conquer . . . that was the Golden Age. We were young and without ties or troubles; we could pick and choose from a wealth of varied careers opening before us; we planned our lives ahead – or so we thought.

But articled clerks, after all, really have much to learn. Or perhaps our crowd was just unlucky. Nobody advised us about our choice of careers; I never remember any of the partners in our firm counselling us about the pros and cons of the jobs that were on offer. We didn't even see the vacancies columns in *The Accountant*, as our firm's copies rarely filtered down to us juniors. If only we had our chance again, we murmured regretfully: *si jeunesse savait. . . .*

Of course, we didn't all complain; some had their cards well marked in advance. There was Bill, whose directorship in his family business was always waiting for him. He's rather smug now; even rather snobbish, it must be admitted; he's never had to worry financially; he was born to the surtax. Or Dick; his path ran straight. He just stayed on with the firm, over the years becoming the senior partner's trusted right-hand. He hasn't risen to a partnership; leadership isn't his *forte*; but few have his flair for liquidation work. With his specialized skill, his five-day week and his little cottage in the country – where he's proud president of the local pitch-and-put club – he's a happy man. I fancy we looked down just slightly at his aloofness from our industrial experience, just as Bill looked down on our struggles to rise towards his level of luxury.

We had honourable scars to show for those struggles. There was Charles who joined an old family company which was tottering towards insolvency through reckless mismanagement; his drive and ability were responsible for its recovery. They always encouraged him with hopes of top management, of a directorate; not yet, of course, but next year. But when a favourable merger took place the family nominees got the plums; he got demoted. Now he's soured; his views on what he calls 'bloodstock promotion' are unprintable.

My old friend Ned nearly blundered. He joined a plastic concern, but top-level promotion was naturally for the scientist or the chemical engineer. The jargon of senior management, the formulae and the hieroglyphs, were too technical for him. He got out at a sacrifice and tried again.

Peter picked aviation and has never looked back; Trevor selected tobacco and is worrying over his long-term forecasts; Leo moved out of textiles when they told him bluntly that promotion was only for the practical man from the factory floor. The common factor in every case was the unavailability of practical advice from senior men; even my own change from city to country town brought problems never anticipated.

The average accountant has to face prejudice on many fronts; even Dick had grim anecdotes of his skirmishes with legal opponents, bankrupts, swindlers. Let's face it, we always have a hard fight ahead of us; reminiscent of that immortal scrap of dialogue when Captain Walter Mitty, with his faint, fleeting smile, takes up the big bomber alone to get that ammunition dump: (*It's forty kilometers through hell, Sir*, said the sergeant. Mitty finished one last brandy. *After all*, he said softly, *what isn't?*)

One might say as much for an accountant's prospects.

Finance and Commerce

Clutsom & Kemp

SHAREHOLDERS in Clutsom & Kemp Ltd, the manufacturers of elastic fabrics, of Leicester, have recently accomplished something very unusual. They have persuaded the board to provide them with the accounts of a subsidiary, Flexor (Whitwick) Ltd. Prominent in this move was Mr Trayton Child, C.A., who maintained that shareholders needed the Flexor accounts to enable them to appraise the situation.

What led up to this can best be followed from a recital of the facts in chronological order. About the middle of last November, Clutsom & Kemp issued its preliminary statement of profits and dividend for the fifty-two weeks to September 2nd, 1961. The dividend to be recommended was a final of 11 per cent to maintain 15 per cent for the year.

On November 20th, the announcement was made that the board had become aware on Saturday, November 18th, that the Flexor stock had been substantially overstated. The board met on the Sunday, decided that the profit figure would have to be revised but that, on the information then available, the dividend recommendation could stand. Messrs Thomson McLintock & Co, one of the joint firms of auditors, were immediately instructed to investigate.

On January 24th, shareholders were informed that there was a deficiency in Flexor of approximately £357,000 of which about £341,000 occurred before September 3rd, 1960.

Dividend Changed

It had not been possible to ascertain the amount of the deficiency at August 29th, 1959, and it was therefore impossible to give any corrected profit figure for the fifty-two weeks to September 3rd, 1960. The deficiency at September 3rd, 1960, of £341,000, less the taxation relief obtainable, would be written off against revenue reserves. And as unaudited accounts for the first quarter of the current year showed a substantial fall in profits compared with the previous year, it had been decided to cancel the recommendation of an 11 per cent final dividend. Instead, the board declared a second interim dividend of 4 per cent to make a total of 8 per cent for the year, no final payment being recommended.

The deficiency, it was then stated, arose from overstatement of stock with a related overstatement of debtors and understatement of creditors. The directors were considering, with the company's legal advisers, all the implications involved.

In his statement with the accounts, the chairman,

CLUTSOM & KEMP LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the fifty-two weeks ended 2nd September, 1961

	52 Weeks to 2nd September, 1961		53 Weeks to 3rd September, 1960 (Note 4)	
	£	£	£	£
TRADING PROFIT		638,576		642,883
Depreciation	152,670		144,192	
Audit Fees	2,910		2,920	
Directors' Remuneration (Note 1)	19,482		18,972	
Unsecured Loan Stock Interest	—		9,293	
Bank and Loan Interest	11,836		2,371	
Staff and Key Workers' Pension Fund	21,884		22,051	
		208,782		199,799
PROFIT BEFORE TAXATION		429,794		443,084
Taxation on Profit of the 52 weeks:				
Profits Tax	62,860		56,282	
Income Tax	169,377		191,045	
		232,237		247,327
SURPLUS AVAILABLE to Clutsom & Kemp Limited		£197,557		£195,757

The notes referred to appear on page [579]

CLUTSOM & KEMP LIMITED AND SUBSIDIARIES

STATEMENT OF PROFIT APPROPRIATION after provision for Income Tax, 2nd September, 1961

	52 Weeks to 2nd September, 1961		53 Weeks to 3rd September, 1960 (Note 4)	
	£	£	£	£
SURPLUS AVAILABLE to Clutsom & Kemp Limited		197,557		195,757
Brought forward	179,518		158,320	
Net profit on realisation of Fixed Assets	2,300		11,386	
		181,818		169,706
		379,375		365,463
Appropriated as follows:—				
Transfer to Reserve: General		140,395		100,000
Dividends less Income Tax:—				
Preference—year ended 31st August, 1961	6,703		6,703	
Ordinary—First Interim 4%	21,131		21,131	
Second Interim 4%	21,131		—	
Final 11%	—		58,111	
		189,360		185,945
Surplus: Holding Company	134,761		152,393	
Subsidiaries	55,254		27,125	
		£190,015		£179,518
CARRIED FORWARD				

The notes referred to appear on page [579]

Sir Geoffrey M. Barnett, said that the deficiency in stock, debtors and creditors at September 3rd, 1960, was confirmed at £340,395. The amount has been dealt with by debit to reserve. So far as the year under review was concerned, it had been found that Flexor assets were overstated by £16,099 and the group profit before tax was therefore that much less than the amount originally announced in November.

Tax Recovery

Further aspects of the situation were being considered, said Sir Geoffrey in his statement with the accounts; shareholders would appreciate that under the circumstances, he could say no more at that time. But Flexor had been put under the control of an experienced executive director of another subsidiary and active measures were being taken to strengthen and improve the efficiency not only of Flexor but of all companies in the group. The board had retained the services of specialists 'well qualified in the management, consultancy and production spheres' to advise, and there was the added warning that the group's profits for the current year would be down.

At the annual meeting, Sir Geoffrey was able to announce that after discussions with the Inland Revenue, it was possible to say that the recovery of taxation in respect of the overstatement of assets would be at least £130,000.

Investigations were still proceeding into the circumstances that gave rise to the overstatement of assets. These investigations were outside the control and province of the board and in the circumstances, he said, 'it must be obvious to any fair-minded person that it would be quite improper for me to comment upon, or anticipate in any way, the outcome of such investigations'.

Those in Favour

Nevertheless, Mr Child persisted that shareholders really ought to have the Flexor accounts to enable them to see the position in that company. Sir Geoffrey at first maintained that it would not be in the company's best interest. But with a resolution to produce the Flexor accounts carried by twenty votes in favour and nine against, he agreed to respect the feeling of the meeting and not use his overwhelming number of proxies. The Flexor accounts would be sent to shareholders within a few days.

How overwhelming his voting power could have been was seen in the vote on a resolution that adoption of the accounts be deferred until the Flexor accounts had been made available. The resolution was defeated by 1,460,895 votes to 65,635.

Feeling at the meeting can be judged from an accusation that Sir Geoffrey was trying to 'steam-roller' the accounts through the meeting. He disclaimed any such intention and, from reports of the proceedings, it may justly be said that what ever may have happened with the group and whatever may be the final outcome, his decision to provide shareholders with the subsidiary's accounts must be commended.

CLUTSOM & KEMP LIMITED AND SUBSIDIARIES
Consolidated Balance Sheet, 2nd September, 1961

	£	£	3rd September, 1960 (Notes 2 & 3) £
SHARE CAPITAL:—			
AUTHORISED:			
400,000 5% Cumulative Preference Shares of £1 each	400,000		400,000
4,000,000 Ordinary Shares of 5/- each	1,000,000		1,000,000
	£1,400,000		£1,400,000
ISSUED AND FULLY PAID:			
218,880 5% Cumulative Preference Shares of £1 each	218,880		218,880
3,450,000 Ordinary Shares of 5/- each	862,500		862,500
	1,081,380		1,081,380
CAPITAL RESERVE:—			
GENERAL	300,007		300,007
REVENUE RESERVES:—			
GENERAL (Note 5)	450,000		650,000
PROFIT AND LOSS ACCOUNT	190,015		179,518
	640,015		829,518
	2,021,402		2,210,905
INCOME TAX:—			
SCHEDULE D 1962/63	176,730		184,892
CURRENT LIABILITIES:—			
BANK OVERDRAFTS	77,498		—
CREDITORS AND EXPENSES ACCRUED	313,618		305,898
PROVISION FOR CURRENT TAXATION (Note 6)	300,147		206,765
ORDINARY DIVIDEND, less Income Tax	21,131		58,111
	712,394		570,774
	£2,910,526		£2,966,571

The notes referred to appear on page [579]

	£	£	3rd September, 1960 (Notes 2 & 3) £
FIXED ASSETS (Note 7):—			
FREEHOLD AND LEASEHOLD LAND AND BUILDINGS	439,786		421,792
PLANT AND MACHINERY	623,882		618,818
FIXTURES AND FITTINGS	90,719		93,452
MOTOR VEHICLES	30,666		26,700
		1,185,053	1,160,762
LOOSE TOOLS AND PATTERNS at valuation		6,864	4,365
TRADE INVESTMENTS:			
INTEREST IN ASSOCIATED COMPANIES AT COST less amounts written off	175,002		1,705
Less LOAN therefrom	150,000		—
		25,002	1,705
		1,216,919	1,166,832
CURRENT ASSETS:—			
STOCKS at or under cost	1,186,606		1,237,931
DEBTORS AND PREPAYMENTS	496,301		465,667
CASH AT BANKS AND IN HAND	10,700		96,141
	1,693,607		1,799,739
	£2,910,526		£2,966,571

The notes referred to appear on page [579]

NOTES ON AND FORMING PART OF THE ACCOUNTS

1. DIRECTORS' REMUNERATION:—

	1961	1960
	£	£
Fees	800	800
Other Emoluments	18,682	18,172
	£19,482	£18,972

2. The net assets of a subsidiary at 3rd September, 1960, were overstated in the accounts as at that date by an amount which cannot be precisely ascertained as the necessary records are no longer available but which has been estimated at £340,395. This amount is made up as follows:—

Overstatement of stocks	£291,889
Overstatement of debtors	46,576
Understatement of creditors	1,930
	£340,395

3. The comparative figures as at 3rd September, 1960, in the consolidated balance sheet and the balance sheet of the company have not been adjusted to take account of the errors shown in note 2.

4. The net overstatement of assets of the subsidiary at 29th August, 1959, cannot be ascertained and therefore the necessary corrections to the consolidated profit and loss account for the 53 weeks ended 3rd September, 1960, cannot be calculated.

5. The movement in the general reserve both in the balance sheet of the company and in the consolidated balance sheet have been as follows:—

	Company	*Consolidated*
General reserve as shown in the accounts at 3rd September, 1960	£650,000	£650,000
Less: Overstatement of net assets by a subsidiary at that date	—	340,395
Amount provided against interest in subsidiaries	340,395	—
	£309,605	£309,605
Add: Appropriated from profits of the year	140,395	140,395
	£450,000	£450,000

6. No credit has been taken in these accounts for Income Tax and Profits Tax recoverable in respect of the net overstatement of assets at 3rd September, 1960.

7. **FIXED ASSETS:**—(Consolidated Accounts)

	As revalued at 31.8.1953 or cost	Depreciation to date	Written down Value	*1960 Written down Value*
	£	£	£	£
FREEHOLD AND LEASEHOLD LAND AND BUILDINGS	571,725	131,939	439,786	*421,792*
PLANT AND MACHINERY	1,289,679	665,797	623,882	*618,818*
FIXTURES AND FITTINGS	191,498	100,779	90,719	*93,452*
MOTOR VEHICLES	62,754	32,088	30,666	*26,700*
	£2,115,656	£930,603	£1,185,053	*£1,160,762*

8. **FIXED ASSETS:**—(Holding Company)

	As revalued at 31.8.1953 or cost	Depreciation to date	Written down Value	*1960 Written down Value*
	£	£	£	£
FREEHOLD LAND AND BUILDINGS	259,106	61,562	197,544	*201,359*
PLANT AND MACHINERY	444,126	188,357	255,770	*247,360*
FIXTURES AND FITTINGS	61,621	26,935	34,686	*30,948*
MOTOR VEHICLES	27,519	12,519	15,000	*10,277*
	£792,373	£289,373	£503,000	*£489,944*

9. Commitments for Capital Expenditure not included in these Accounts are estimated at (i) Consolidated Accounts £177,000 (ii) Holding Company Accounts £48,000.

10. Options have been granted to certain executives other than directors of the company to subscribe for 85,500 Ordinary Shares of 5/- each at a price of 10/3 per share exercisable within the period 1st January, 1962, to 31st December, 1972.

CITY NOTES

THE further reduction in Bank rate, another reduction in I.M.F. borrowings and the Chancellor's unexpected bout of economic optimism have combined to underpin the better trend in the stock-markets.

Industrial equity shares have continued to show a rising tendency despite the obvious and continued pressure on earnings. The motor industry currently presents the type of puzzle the equity market faces.

Car production figures look impressive on paper. Output is up and exports are rising, but both British Motor Corporation and the Ford Motor company have pointed to materially lower earnings and have both forecast continued pressure on profits.

So much so that British Motor Corporation looks like having to draw on reserves to maintain the current year dividend. In this company's case, the position is that while the number of units produced is rising, a greater proportion of output is in small cars – particularly the 'Minis' – where the profit margin is narrow and a greater proportion of increased sales is going into export markets where margins are narrower still.

The industrial equity market is in danger of finding that trade and production statistics are not necessarily to be turned into terms of higher earnings and increased dividends, more particularly if the present battle for higher wages leads to increased costs at the best, and industrial stoppages at the worst.

RATES AND PRICES

Closing prices, Wednesday, May 2nd, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 23, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

Feb. 23	£5 10s 7·47d%	Mar. 30	£4 8s 1·16d%
Mar. 2	£5 10s 11·26d%	April 6	£4 7s 4·62d%
Mar. 9	£5 0s 5·89d%	April 13	£4 6s 8·54d%
Mar. 16	£4 17s 7·57d%	April 19	£4 5s 4·31d%
Mar. 23	£4 9s 0·47d%	April 27	£4 1s 0·54d%

Money Rates

Day to day	2⅞–3⅞%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	4¼–4 5/16%
Fine Trade Bills		3 months	4¼–4 5/16%
3 months	5½–6%	4 months	4¼–4 5/16%
4 months	5½–6%	6 months	4¼–4⅜%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·81⅛–⅜	Frankfurt	11·25¼–½
Montreal	2·95¼–½	Milan	1745⅜–½
Amsterdam	10·12–¼	Oslo	20·05–¼
Brussels	140·01¼–¾	Paris	13·78–¼
Copenhagen	19·39½–¾	Zürich	12·22⅜–⅝

Gilt-edged

Consols 4%	63⅞	Funding 3% 59–69	83⅞
Consols 2½%	41⅛	Savings 3% 60–70	80¾
Conv'sion 5¼% 1974	93 11/16	Savings 3% 65–75	71⅞
Conversion 5% 1971	92½	Savings 2½% 64–67	87¾
Conversion 3½% 1969	86 9/16	Treasury 5½% 2008–12	89 13/16
Conversion 3½%	56⅛	Treasury 5% 86–89	84 3/16
Exchequer 5½% 1966	100 3/16	Treasury 3½% 77–80	71⅞
Funding 5½% 82–84	92⅝	Treasury 3½% 79–81	70 11/16
Funding 4% 60–90	88¼	Treasury 2½%	40¾
Funding 3½% 99–04	62	Victory 4%	97⅛
Funding 3% 66–68	86 7/16	War Loan 3½	55 15/16xd

Reviews

Cost Reduction in Industry

(Published by the Organization for European Economic Co-operation – European Productivity Agency. Available from H.M.S.O. 12*s* 6*d* net.)

This handbook is based on the material used in a series on conferences on Integrated Cost Reduction organized by the European Productivity Agency during the years 1958–1960; and is intended particularly to help small and medium-sized firms.

It must be recognized that cost reduction efforts, which are of the essence of successful business, should not be turned on and off like a tap; and if such efforts are in fact to be continuous, then it is often best to make the co-ordination of them a functional responsibility.

This is the meaning of integrated cost reduction; and the author presents this case modestly, without that undue emphasis on the appointment of high-powered special executives or that smug comparison of 'progressive' companies with the rest, which so often alienates the student of such treatises.

The philosophy of the relationship between job security and reduced operating costs is perhaps not so readily assimilable as he would have the reader believe; but is stimulating matter for discussion, and is, in any case, only part of the brief introductory matter which leads on to a most detailed examination of the practical means of cost reduction.

The book is divided into two parts, the first of which deals with the measurement of incurred costs against standards, that is to say, the operation of budgetary control and with the extension of that system into the day-by-day control of costs.

The author gives a sound practical exposition of the development and use of flexible budgets, avoiding the temptation to advise measures of variability for an excessively wide range of costs.

He also makes a sound distinction between con-

trollable and other indirect costs without, however, considering levels or responsibility at which various types of expense move from one category into the other.

In dealing with the appointment of a budget administrator it is stated that 'the selection of a man from the line organization in preference to a cost accountant was made on the premise that it is more practical to train an operating man in the necessary aspects of cost accounting than to give an accountant an equivalent practical knowledge of plant operations'.

It is undoubtedly necessary in some cases for the accountant to accept this division of responsibility; but the quotation does bring to mind again the valuable contribution which could be made to business efficiency if more accountants were better qualified to deal with the technical aspects of the businesses with which they are associated.

The latter part of the book examines methods of achieving cost reductions through various functions of the business – standardizations and simplification of products, processes, materials and tooling; work study, office work simplification, and improved personnel administration. The various suggestions made are summarized in a check list expressed as a questionnaire for the various management executives.

The book is copiously illustrated with specimen forms, charts and diagrams; and is marred only by a number of typographical errors which, no doubt, will be corrected in future editions.

Selling and Distributing Cost Accounting

Third Edition. (Published by The Institute of Cost and Works Accountants; distributed by Gee & Co (Publishers) Limited, London. 7*s* 6*d* net.)

It must be said immediately that this is not merely a reprint of the booklet that has been available from the Institute for the past twenty years.

The text has been so extensively re-written that it requires to be read and reviewed as a completely new publication.

The Research Committee of the Institute are to be congratulated on the expert manner in which the work of revision has been performed, and on the attractive format in which the result is now produced.

The accountant called upon to deal with a selling or distribution organization would value guidance as to the types of expenditure he might expect to encounter; the organizational cost centres through which control will be exercised; the means of identifying expenditure with product lines; and the legal, social and other factors affecting the level of costs.

In regard to income, he would require to consider the most suitable headings of sales analysis; the relationship of sales to market potential, and the non-accounting factors influencing selling prices in his particular field of activity.

All these matters, and others, are touched on in this useful booklet.

There are moments when one wishes the compilers had given themselves room to expand on certain points – the fleeting reference to minimum economic sizes of orders on page 27, for example; or an earlier statement, terse to the point of incomprehensibility that 'there are mechanical and other facilities available for analysis work'.

The Committee responsible for this publication have recognized that to deal adequately with all the problems of selling and distribution cost accounting and their solutions would call for a very big work. They have set themselves the limited objective, therefore, of stating both problems and solutions in precise tabulation form for easy reference. In this they have been abundantly successful, and the present volume should prove as popular as its predecessor.

The Growth of Public Expenditure in the United Kingdom

by ALAN T. PEACOCK and JACK WISEMAN. National Bureau of Economic Research. (Oxford University Press, London. 30*s* net.)

Since 1890 Government expenditure in the United Kingdom has risen tenfold in real terms and five times this figure in money terms. The economic significance of this development is not always appreciated, but as the British authors of this American sponsored study conclude, the ratio of public expenditure to the gross national product is not likely to decline in the years ahead.

The collection and collation of the data for this study has posed a very considerable task, partly because there exists no consistent classification over the years before the last war of many types of central and local government expenditure, and in many cases no series of such data are available for the earlier years. In consequence much of the data compiled in this volume had to be assembled from the primary sources, in particular the Appropriation Accounts, quite apart from necessitating a complete reclassification of central and local government expenditure.

A particular problem in this type of comparative study was the deflation of the money series to take account of the changes in the purchasing power of the currency. For this purpose separate price indices for services and capital goods were compiled. The extensive statistical material is linked by a clear exposition of the conceptual difficulties, as well as a commentary on the economic significance of the data.

Economics of Industrial Organization

by A. BEACHAM, O.B.E., and L. J. WILLIAMS. (Sir Isaac Pitman & Sons Ltd, London. 18*s* net.)

Undergraduate students of economics are frequently ill-informed, if not virtually ignorant, about the structure and methods of modern industry and more especially on subjects such as the raising of capital, the measurement of efficiency and monopoly in

practice, as distinct from economic theory. This useful little book by Professor Beacham, which has now been revised for its fourth edition with the assistance of Mr Williams, is aimed at providing this type of information for such students. It can be strongly recommended to students working for various professional qualifications, not least those in accountancy, since it will provide them with a broader perspective and analysis of industrial issues than they normally acquire from their professional studies alone.

Trade Unions in a Free Society

by B. C. ROBERTS. (Published for the Institute of Economic Affairs by Hutchinson & Co, London. 30*s* net.)

This is an enlarged edition of a shorter study of British trade unionism which first appeared in 1959. It has been revised and enlarged by the addition of a long section on American trades unions. The differing backgrounds and outlook of the unions in the U.S.A. compared with those in Britain make interesting reading. As far as solutions to the post-war wage inflation are concerned, Mr Roberts has no startling propositions to put forward. His thesis is quite simple; better understanding between management and labour, improved and better paid union staff, with greater emphasis on local negotiations rather than national. One could but wish that Mr Robert's could enjoy a wide circulation among the members of many British unions.

The Trustee Investments Act, 1961

by M. M. WELLS, M.A., Barrister-at-law, with accountancy examples by A. W. Nelson, A.A.C.C.A., A.T.I.I. (Butterworth & Co (Publishers) Ltd, London. 12*s* 6*d* net.)

The Trustee Investments Act, 1961, has revolutionized the law governing the authorized investments which a trustee may make. In particular it has introduced provisions which involve a good deal of accounting skill if the law is to be obeyed. This booklet consists of eleven pages of legal exposition, the Act itself, eight pages of arithmetical examples, and an index. It is based on material contained in the second supplement to the eleventh edition of *Underhill's Law of Trusts and Trustees.*

American Capital and Canadian Resources

by HUGH G. J. AITKEN. (Harvard University Press; Oxford University Press, London. 40*s* net.)

Those familiar with the Canadian political scene will be aware of the recent concern that has been evident over the increasing growth of the American financial stake in the Canadian economy. Not merely are there doubts as to the economic advantages of the continued reliance upon American capital, although its benefits to date cannot be gainsaid, but there are signs of rising resentment at American financial influence.

Professor Aitken's study of the factors which have contributed to the present situation and the problems which confront Canada in the future, especially if Britain and other parts of the world such as Latin America enter regional trading blocs, is exceptionally clear. His own solution is not to try and put the clock back, but rather to try and develop an integrated economy within the North American hemisphere. The political significance of his proposals will be evident, but his study throughout is readable and the historical perspective sound. This is a timely piece of work which deserves a wider readership than it will probably get on this side of the Atlantic.

The City of London as a Centre of International Trade and Finance

(The Institute of Bankers, London. 20*s* net.)

It is always a matter for rejoicing when a new volume of lectures delivered at the annual international banking summer school appears at so low a price. The latest volume deals with two main topics, the role of Britain and sterling in the sphere of international trade, and the functions of the City institutions in the provision of banking, insurance and shipping services to the trading world.

There is the customary roll of distinguished speakers, among them Lord Ritchie, Sir Oliver Franks, Mr Crick, Professor Sayers and Mr Bareau. The Institute deserves credit for publishing these papers, and many accountants and their articled clerks will find much of interest in them.

RECENT PUBLICATIONS

PRINCIPLES OF THE LAW OF DAMAGES, by Harry Street, LL.M., PH.D. xxiv+272 pp. 8½×5½. £3 3*s* net. Sweet & Maxwell Ltd, London.

MONEY IN BRITAIN, by C. R. Josset. x+214 pp. 8½×6. 15*s* net. Frederick Warne & Co Ltd, London.

HIRE-PURCHASE, CREDIT AND FINANCE, by V. R. Fox-Smith, M.C., M.C.I.M. xii+296 pp. 5½×8½. £2 15*s* net. Stevens & Sons Ltd, London.

THE ELEMENTS OF INCOME TAX AND PROFITS LAW, fifth edition, by C. N. Beattie, LL.B., and Keith Wedmore, M.A., LL.B. xxxi+258 pp. 5½×8½. £1 15*s* net. Stevens & Sons Ltd, London.

REPORT ON FARMING 1960/61, by P. E. Graves & P. G. James. 7½×9½ paper cover 28 pp. 3*s* 6*d* post free. Farm Economics Branch, School of Agriculture, Cambridge University.

PROBLEMS OF THE AMERICAN ECONOMY: Stamp Memorial Lecture 1961, by Paul A. Samuelson. 5½×8½. 30 pp. 4*s* net. University of London: The Athlone Press, 2 Gower Street, London WC1.

THE FINANCE OF LOCAL GOVERNMENT, by J. M. Drummond, F.S.A.A., F.I.M.T.A. Revised by W. A. C. Kitching, A.I.M.T.A., D.P.A. 5½×8½. 256 pp. 25*s* net George Allen & Unwin Ltd, London.

THE MANAGERIAL REVOLUTION, by James Burnham. 4½×7. Card covers. 256 pp. 4*s*. Penguin Books Ltd, Harmondsworth, Middlesex.

TAXATION IN CANADA, third edition, by J. Harvey Perry. 6×9. xv+415 pp. £5 net. University of Toronto Press; Oxford University Press, London.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

How to Decimalize the Currency

SIR, – I have read the many interesting letters and authoritative articles that have appeared in *The Accountant* over the past months on the subject of decimalizing the pound. I cannot help feeling that the most important factor has been abandoned at some stage or even overlooked, namely, simplicity.

Many of the views expressed have been admirable and would doubtless present few problems to the business trained mind, but I am sure that the majority of this country's population do not want to use a complicated method of converting £ *s d* to decimal currency.

Surely the simplest system of conversion would be:

100 pence = 8*s* 4*d* = 1 dollar (crown or royal)

Present-day currency may be converted with little trouble, namely, £1 = 240 pence or 2 dollars 40 pence. Florins and half-crowns become 24 pence and 30 pence respectively. All notes may be withdrawn (some coins also if found desirable) and a new dollar note issued.

I firmly believe that this method will not be too costly to the nation, nor will it cause a rise in the cost of living, however small, occasioned by the adjustments of fractions that would be a corollary to the many systems advanced by your correspondents and contributors.

Yours faithfully,

London W6. L. G. CHANDLER, A.C.A.

Assessment Query

SIR, – With reference to the inquiry of R. V. Maniar, in your issue of April 28th, the regulations require that unless notice of appeal against the assessment is given in writing to the Inspector of Taxes within thirty days of the date of the assessment notice, the assessment is binding on the company.

A return should have been made to the Revenue of the results of the company's trading for the period to the date of cessation in 1960–61, together with the relative claims for capital allowances etc. On the strength of these returns the Revenue had the option of raising the assessment for 1960–61 to the actual profits for the period April 6th, 1960, to the date of cessation of trade, and the assessment for 1959–60 to the actual profits for the twelve months to April 5th, 1960.

It is difficult to see how the Revenue were unaware of the fact that the company had ceased to trade if the company's return for 1961–62 had given the relative information. Surely even the Revenue would not be so unjust as to allow an assessment on an estimated sum to stand where there was no trading activity to be assessed.

Yours faithfully,

E. V. H. NASH.

London SW12.

Thinking in Figures

SIR, – Mr H. C. Edey in his paper in *The Accountant* of April 21st, is to be congratulated on a classic exposition of critical and analytical reasoning in retrospect, present and future, touching the whole conception of *thinking in figures* which, of itself, will invite resentment as well as acceptance.

Over-emphasis on figures can often give rise to misunderstanding as to the cause of difficulties unless the important question of human relationship and personality reflex be interrelated.

For instance it is significant to recall the reported business failures in the U.S.A. for 1961 as over 17,000, or 64·4 per 10,000 listed enterprises, and that the causes given by creditors are due to:

Inexperience	46·9 per cent
Incompetence	44·4 ,,
Neglect	3·0 ,,
Fraud	1·3 ,,
Disaster	·9 ,,
Unknown	3·6 ,,

This in itself serves to affirm how very easy it is to get into difficulties without the requisite experience and aptitude for business in either selling, manufacturing or administration. What the comparative situation is in this country would be interesting to know, but it is my guess the figures are lower and the causes different. There could be instances where the capital employed in, say, a manufacturing entity could be invested to more beneficial effect in other ways!

Yours faithfully,

FRANCIS B. WILLMOTT.

Birmingham 5.

SIR, – I have read with interest Mr H. C. Edey's paper 'Thinking in figures' (April 21st issue) and wonder whether the author would be so kind as to say what textbook best leads one from ordinary level in mathematics to the study of the principles of some of the new management mathematics.

Yours faithfully,

B. H. HARRIS.

Birmingham 14.

[Mr Edey comments: I think a book called *Basic Mathematics*, by Professor R. G. D. Allen, to be published later this year by Macmillan & Co will take your correspondent a large part of the way.]

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

C.I.R. *v.* Hood Barrs

In the High Court of Justice (Chancery Division)
March 29th, 1962
(Before Mr Justice WILBERFORCE)

Surtax – Dividends – Shares transferred to daughters – Appellant previously held beneficially entitled down to particular tax year – Whether beneficially entitled to shares in subsequent years – Income Tax Act, 1952, section 404 (2).

In 1938 the respondent transferred 60,000 shares in a company to one of his daughters, and in 1941 another 60,000 shares in the same company were transferred to the same daughter; and on each occasion she contemporaneously executed blank transfers. On September 16th, 1953, the daughter transferred 40,000 of the shares to one of her sisters and another 40,000 to another sister, thus leaving 40,000 shares in her own name. Each of these transfers was stamped 10*s* on the footing that the shares had been held as a nominee for the transferees. On November 17th, 1953, the two sisters were registered as the holders of the shares transferred to them, and they received the subsequent dividends.

In a previous appeal the Special Commissioners decided that until September 16th, 1953, the appellant had not divested himself of the income arising from the 120,000 shares. In respect of the period between September 16th, 1953, and April 5th, 1954, and in relation to the 40,000 retained by the transferor daughter and the 40,000 transferred by her to one of her sisters, the Special Commissioners decided that they had no evidence on which they would be justified in finding that either of them was beneficially entitled to the income from those shares for the period from September 16th, 1953, to April 5th, 1954. In relation to the 40,000 shares transferred to the other sister the Special Commissioners concluded that that sister was, during the same period, the absolute owner of those shares, in that the respondent had divested himself of the ownership thereof.

The present appeal was concerned with the years 1954–55, 1955–56 and 1956–57, as to which the respondent contended that the income from the two blocks of shares in question should be treated as his income, and the appellants contended that it should be treated as the income of the daughters. The Special Commissioners in this appeal found that the two daughters had received the dividends for the three years under appeal; that there had been no change concerning the beneficial ownership of either of the two blocks of shares; that on March 19th, 1957, the sister had transferred her shares to her husband; and that no further documents were executed by the respondent during the three years under appeal in relation to the two blocks of shares in question. The Special Commissioners decided that the respondent was beneficially entitled to the income arising from the shares in the three years under appeal.

It was contended by the appellants that the Special Commissioners had given too much weight to the decision of the Special Commissioners in the earlier case, and had given insufficient attention to the transfer on March 19th, 1957. It was contended by the respondent that the Special Commissioners in the present case were entitled to accept the evidence given in the previous appeal; that, in any event, as he had been held to have possessed the beneficial interest in the two blocks of shares down to 1953–54 he could not, pursuant to section 53 (1) (*c*) of the Law of Property Act, 1925, part with his interest without a document to that effect having been signed by himself or by his agent lawfully in writing; and that the Special Commissioners had found that he had not executed any such document.

Held: the Special Commissioners had placed undue weight on the decision of the Special Commissioners in the earlier case; that insufficient attention had been given to the transfer of March 19th, 1957; that there was not enough evidence on which to decide whether section 53 (1) (*c*) of the Law of Property Act, 1925, was applicable; that the case should be remitted to the Special Commissioners for reconsideration; and that any further evidence should be limited to the section 53 (1) (*c*) point.

Seaward Brothers *v.* Varty

In the High Court of Justice (Chancery Division)
March 16th, 1962
(Before Mr Justice WILBERFORCE)

Income tax – Builders – Houses built on contract – Others built on sites owned by the firm – Transfer of building business to company – Non-contract houses not transferred – Whether those houses investments or trading stock – Income Tax Act, 1952, section 143.

A firm consisting of two brothers carried on business as building contractors, and, when there was no contract work available, the firm built houses on sites which they themselves owned. On August 31st, 1949, the building contractors' business was transferred to a company, and at that date 123 houses had been built on the firm's own land. None of those houses were transferred to the company, but were retained by the two brothers. By August 31st, 1954, seven of those houses, and also one plot of land, were sold, and subsequently to July 30th, 1958, a further fifteen houses and two plots of land were sold. On the latter date one of the brothers died.

Assessments under Case I of Schedule D were made in respect of the surpluses arising from the sales between September 1st, 1954, and July 30th, 1958, and the subject-matter of the assessments was

stated to be 'sales of property'. The Special Commissioners decided that the houses and plots of land sold were part of the trading stock of a composite business carried on by the firm; and that after the transfer to the company on August 31st, 1949, those properties remained trading stock of a part of the business retained by the firm; and that the surpluses arising on the sales were profits assessable under Case I of Schedule D.

Held: there was no evidence to support a finding either that the firm carried on two trades, after the transfer to the company on August 31st, 1949, or that after that transfer the firm continued in business as building contractors; that the true conclusion from the facts was that the trade formerly carried on by the firm had ceased on the transfer to the company, and that the houses and land excluded from that transfer had been retained by the partners as investments; and that therefore the assessments should be discharged.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

REPORT OF THE COUNCIL

We reproduce below extracts from the forty-third annual report of The Institute of Cost and Works Accountants for the year ended December 31st, 1961, to be submitted at the annual general meeting of members to be held at the Old Swan Hotel, Harrogate, Yorkshire, on Saturday, May 12th, at 10.30 a.m.

Membership

During the year, 595 persons were admitted to membership and after allowing for resignations, lapsed memberships and deaths, the total membership at December 31st, 1961, was 7,386, showing a net increase of 510 over the previous year.

Registered Students

During the year there were 4,173 new student registrations, and after allowing for transfers to membership, resignations, lapsed registrations and deaths, there were 17,007 names on the students' register at December 31st, 1961, as compared with 16,311 at the end of 1960.

Institute Awards

The Institute's Gold Medal was awarded to Mr Ian T. Morrow, C.A., F.C.W.A., for outstanding services to the Institute and to the profession.

The Institute's Silver Medal was awarded to Mr A. W. Muse, F.C.W.A., F.A.C.C.A., for long and meritorious service to the Institute; to Mr Arthur Hopewell, B.A., M.P., C.A.(S.A.), F.S.A.A., F.C.W.A., for special services to the Institute and to the profession in South Africa; also, jointly, to Mr Cornelis Mollink, F.C.W.A., and Mrs Mona Mollink, A.C.W.A., for devoted service to the Institute in South Africa.

Examinations

The examinations were held in June and December 1961, at thirty home and sixty-one overseas centres. A total of 11,346 candidates sat, including 2,114 overseas. The comparative figures for the past six years are as follows:

1956	8,478	1959	10,603
1957	9,332	1960	10,797
1958	11,121	1961	11,346

Branches

Branch meetings continue to be the principal corporate activity of the Institute; the wide range of subjects upon which papers have been given, together with visits to factories, discussions, and other activities, indicate the widening field of knowledge sought by members.

The branch affairs committee continually review the figures of attendance at branch meetings. The annual survey and analysis of programmes has been circulated to branch secretaries. A conference of branch secretaries was held in London in June; the value of these annual meetings was proved by the far-ranging discussion of numerous problems.

Regional Conferences

Conferences were held at the following places, the subjects and speakers being as shown:

WOLVERHAMPTON – March 25th:
- 'Budgetary control in a medium-size business', J. E. Smith, A.C.W.A.
- 'The effect on costs of policy and management decisions', G. Hanby, F.C.A., F.C.W.A.

LEEDS – October 21st:
- 'Future trends in employee remuneration', C. A. Herring, B.SC.(ECON.), F.C.W.A., M.INST.T.
- 'Research, development and other pre-production costs', L. N. Norton, F.C.W.A.

DUBLIN – November 4th:
on the theme of
- 'The measurement of performance in business'
- 'The economic viewpoint', Garret Fitzgerald.
- 'The technical viewpoint', H. H. Norcross, F.C.W.A.

LONDON – November 18th:
on the theme of
- 'Planning for the trade cycle'
- 'National policy and Government action', The Rt Hon. Harold Wilson, O.B.E., M.P.
- 'The cost accountant's role', D. A. J. Manser, F.C.A., A.C.W.A.

Overseas Centres

The Council approved the appointment of an Assistant Secretary of the Institute for South Africa. Miss K. M. Davidson, B.A., who previously served on the staff of the Institute in London as Deputy Examinations Officer, commenced duties in Johannesburg early in October. She will act as Secretary to the South African Council, and will provide a link between the five centres and two students' societies in the Republic of South Africa.

Thirty-second National Cost Conference

The thirty-second national cost conference, held at the Connaught Rooms, London, was formally opened on the afternoon of Thursday, June 1st, by the President of the Institute, Mr William S. Risk, B.COM., C.A., F.C.W.A.

The Rt Hon. F. J. Erroll, Minister of State, Board of Trade, then addressed the delegates, his talk being entitled 'Britain: an exporting nation'.

In the evening, the President gave a reception at Merchant Taylors' Hall in the City of London.

On Friday, June 2nd, the President gave his presidential address which was followed by two technical papers, the first, entitled 'The effective use of capital: fixed assets', was presented by Mr Ian T. Morrow, C.A., F.C.W.A., and the second on 'The effective use of capital: current assets', by Mr W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., F.C.I.S.

The Institute's annual banquet and dance was held at The Dorchester on the evening of June 2nd, when the principal guests were Dr Hilgard Muller, His Excellency the Ambassador for South Africa, and Mrs Muller, and Sir Harold and Lady Roxbee Cox.

Institute Functions

The President of the Institute, Mr W. S. Risk, gave a dinner party at the House of Commons, by courtesy of Mr Geoffrey Stevens, M.P., F.C.A., on Wednesday, January 11th.

Mr Risk gave luncheon parties at the Central Hotel, Glasgow, on Tuesday, March 14th; at the Queen's Hotel, Birmingham, on Friday, March 24th; at the Institute on Thursday, April 27th, and at the Midland Hotel, Manchester, on Tuesday, May 9th.

Mr F. M. W. Hird, F.C.A., F.C.W.A., who became President in June, gave luncheon parties at the Queen's Hotel, Leeds, on Thursday, October 5th; and at the Grand Central Hotel, Belfast, on Friday, November 3rd.

At the members' dinner held in Grocers' Hall, in the City of London, on Tuesday, October 31st, the Lord Mayor of London, Sir Bernard Waley-Cohen, was the principal guest.

Research and Technical Activities

The booklet entitled *A Report on Marginal Costing*, published on December 1st, was very favourably reviewed. Nearly 1,600 copies had been sold by the end of the month.

The branch contributions on the 1959–60 research project 'The rising incidence of overheads and their control' were collated, and the first draft considered by the Research and Technical Committee in November.

Study continued in the branches on the next research project 'The profitable use of capital'.

A meeting of branch research officers was held in Birmingham on March 11th. This meeting provided a most useful opportunity for members of the Research and Technical Committee to meet the representatives of the branches. The exchange of views on Institute research materially helped to maintain enthusiasm for research by the branches.

A week-end course on management accounting was held at Droitwich Spa from April 14th to 16th. Three papers were presented: 'Management accountancy and its purpose', by Mr R. Warwick Dobson, C.A., F.C.W.A.; 'How the techniques of management accountancy should be used effectively for management', by Mr E. B. Bishop, F.C.W.A., F.C.I.S., and 'The function of management accountancy in the future and the task of the management accountant', by Mr Ian T. Morrow, C.A., F.C.W.A. The chairman of the course was Mr G. C. Stone, F.C.W.A.

Mr Derek du Pré, Secretary of the Institute, continued to serve as honorary editor of the Bulletin of The British Conference on Automation and Computation, and as a member of the Executive Committee of the Conference, Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., was elected a member of the Executive Committee of the Conference in September.

The first British Conference on the social and economic effects of automation, which the Institute assisted in sponsoring, was held at Harrogate from June 27th to 30th, Dr Risk presented a paper on 'Assessing the profitability of automation projects'. Mr K. S. Ayres, F.C.W.A., was chairman at one of the meetings, and Mr J. P. Wilson, F.C.W.A., F.C.I.S., at another.

The Council accepted an invitation to join in the activities of the National Productivity Year commencing in November 1962. The President, Mr F. M. W. Hird, consented to act as a Vice-Patron.

Mr Ayres represented the Institute on the National Council for Quality and Reliability.

Education and Training

A number of branches again organized short courses for registered students. A new and successful venture was the No. 1 Area week-end course for students arranged at The Queen's College, Oxford, in March.

The Institute played a full part in the Commonwealth Technical Training Week which took place from May 29th to June 4th, under the patronage of H.R.H. The Duke of Edinburgh. Members throughout the country took part in careers exhibitions, conventions and other functions.

The Institute is now in touch with 130 companies having schemes for training registered students.

The Council made a submission to the committee set up under the chairmanship of Lord Robbins to consider the long-term development of full-time higher education.

Summer School

The twelfth residential summer school was held at St Catharine's College, Cambridge, from September 18th to 23rd.

The Council record their appreciation of the facilities provided by the College authorities and the excellent arrangements made by them for the summer school; also their cordial thanks to the speakers, chairmen and group discussion leaders.

LONDON CHARTERED ACCOUNTANT STUDENTS' ANNUAL MEETING

The seventy-ninth annual general meeting of The Chartered Accountant Students' Society of London was held last Monday evening at the Chartered Insurance Hall, Aldermanbury, EC2, with the President, Mr W. E. Parker, C.B.E., F.C.A., in the chair.

The Committee's report for 1961, which was presented at the meeting, records a total membership of the Society at December 31st, 1961, of 9,257 – an increase of 435 over the year. Student members number 7,399.

Mr W. E. Parker

During 1961, the Society organized thirteen lecture courses, including two week-end residential courses at Oxford and Cambridge. A meeting for newly articled clerks was held in January when 130 students were welcomed by the President of the Institute, the President of the Society and the Chairman of the Committee. In June, a supper was arranged for new members at which the President of the Society and the Chairman spoke on the Society's activities.

The annual President's meeting in Guildhall was once again well attended when the Hon. George A. Drew, P.C., Q.C., LL.D., High Commissioner for Canada, gave an address on "The value of Commonwealth trade' (reproduced in *The Accountant* of October 28th, 1961). Other activities included visits to banks and industrial undertakings and speakers' courses, while the major social activities were the annual dinner held at Grosvenor House (reported in *The Accountant* of December 16th, 1961) and Christmas and summer dances.

Committee Chairman's Remarks

In seconding the reception of the Committee's report and accounts for 1961, the Chairman of the Committee, Mr Brian J. Arthur, A.C.A., said that the one bright spot in a rather sombre picture of poor attendances and increased costs was the continued expansion of the week-end courses at Oxford and Cambridge which had attained a total of over 500 students for the first time during 1961. He felt that the utmost effort was required to impress upon principals the importance of the wider professional education provided by the Students' Society. The recommendations of the Parker Report to this end were most welcome. All students were interested in the discussion and recommendations in this report, and members of one of the Society's social clubs had given their own opinions in the professional Press. He emphasized especially the proposal that the suggested introductory courses 'should be identified as part of the activities of students' societies'. It was up to the Society to show that it was fit to take part in this important development.

He drew attention to the section of the Committee's report referring to the Students' Centre, and emphasized that, though the existing 'Students' Club' catered for social demands, they should not lose sight of the project for a real students' centre under one roof.

He thanked the editorial board which had recently produced the first number of the Society's magazine, and the administration staff, the treasurer and the auditors for their work which made possible the whole running of the Society.

After a number of questions had been answered, the meeting received the report and accounts and passed resolutions altering the Society's annual accounting date from December 31st to April 30th and correcting the rule about half-yearly subscriptions.

A motion was proposed calling for an additional annual levy of £1 1s on student members, not to be payable by principals but to be used to bring training under articles into closer parallel with training at universities. After considerable discussion, an amended motion was accepted that the Committee give consideration to the proposal. An undertaking was given on behalf of the Committee to submit the proposal, after revision, to a referendum of the members and if the result were favourable, to consider calling a special general meeting to make the necessary alterations of the rules.

The meeting then carried a motion adding to the Society's objects clause a reference to education on the lines of university training, and also a further motion calling for more general sports facilities.

Officers of the Society

The following officers were re-elected with the thanks of the Society for their active support and encouragement in the past and their willingness to continue in the future:

President: Mr W. E. Parker, C.B.E., F.C.A.

Retiring Vice-Presidents: Sir Harold Barton, F.C.A., and Mr George R. Freeman, C.B.E., F.C.A.

Hon. Treasurer: Mr W. K. Wells, B.A., F.C.A.

Hon. Auditors: Mr H. O. H. Coulson, F.C.A., and Mr R. G. Leach, C.B.E., F.C.A.

The following elections to the Committee were made:

Re-elected: Mr B. J. Arthur, A.C.A., Miss E. A. Hattley, Mr G. B. C. Hughes, M.A., A.C.A., Miss H. J. Minton, and Mr T. G. N. Sylvan.

New Members: Mr W. J. H. Everitt, B.A., Mr D. S. R. Finning, B.A., and Mr G. R. Freshfield.

The meeting closed with a hearty vote of thanks to the President, Mr W. E. Parker, C.B.E., F.C.A., for his friendly conduct of the meeting.

A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

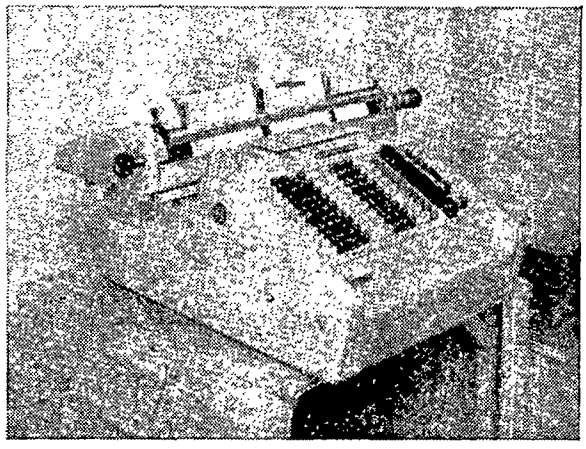
New Offic

New Accounting Machines

THE addition of a new series of accounting machines has been announced by Burroughs Machines Ltd. Called the Series F.6000, the new line is specifically designed to handle the growing and complex requirements of modern businesses.

Available in over twenty-five standard models, with and without punched tape output, the F.6000 has many other features which can be added to the standard models to enhance the flexibility of programming over a wide variety of applications.

The new line incorporates the latest principles of advanced design plus impressive, modern styling and attractive colours. The machines are capable of producing up-to-the-minute management reports in a form which makes it easy to analyse past results and to formulate future plans more accurately. Applications include payroll, stores and order control, accounts receivable and payable and billing.



Burroughs F.6000 Accounting Machine

Dry Copying Process

AT last October's Business Efficiency Exhibition considerable public interest was aroused by the Eichner *Drycopy*, on show for the first time in this country. The machine, which employs an unique process, is now generally available.

Facsimiles of documents are produced by the use of a special carbon-like sheet and the application of infra-red heat. The original, a sheet of *Drycopy* paper and a piece of unsensitized copy paper are fed together into a slot in front of the machine which, within about four seconds, produces a dry, permanent and smear-proof copy. Production cost is about 4*d* for a quarto sheet, 4½*d* for foolscap, though, if the *Drycopy* paper is re-used (which is often possible) costs drop accordingly.

The makers say that short-run offset litho plates produced by this method give service comparable to that provided by other means and, in addition, need no further processing such as fixing or etching. Spirit duplicator masters can also be made direct from originals of any thickness.

As in some other processes where heat is used, the machine will not copy from originals whose printing, writing or other ink has no metallic content. However, so many organizations now use these metal-containing materials that no serious inconvenience should result from this limitation.

Price £89.

T.S. (Office Equipment) Ltd, 140–148 Borough High Street, London SE1.

Photocopier Selection Centre

EXCEPT at exhibitions, there is seldom an opportunity to view several different makes of the same type of office machine in the same place. That such a facility is appreciated is demonstrated by the success of Conroy Copying Consultants who, after just over a year in business, have opened new and larger premises in central London.

Visitors may see, examine and test about fifty different machines. Conroy claim that their staff are in a position to analyse requirements and circumstances and thereafter to give an unbiased recommendation of the right machine for each customer.

After a purchase is made, they will train customers' staffs to use the machine and guarantee to service each one bought from them every month for five years, free of charge. They will also maintain paper stocks at an agreed level.

Conroy Copying Consultants Ltd, 33 New Cavendish Street, London W1.

Compact Microreader

A SMALL, lightweight microreader is a boon to those who lack space or wish to use the instrument in more than one place. Such a one is the new *Ross* model, which weighs just over 22 lb. and is 17 in. high, 8 in. wide and 13 in. deep. It is made by a company who specialize in optical equipment.

Various easily clipped on attachments are provided to adapt the viewer for 35 or 16 mm. roll film, microfiches or opaque microcards. Images, magnified fifteen times, are displayed on a 7 in. by 9 in. glass screen and can be studied without eye strain in normal day or artificial light.

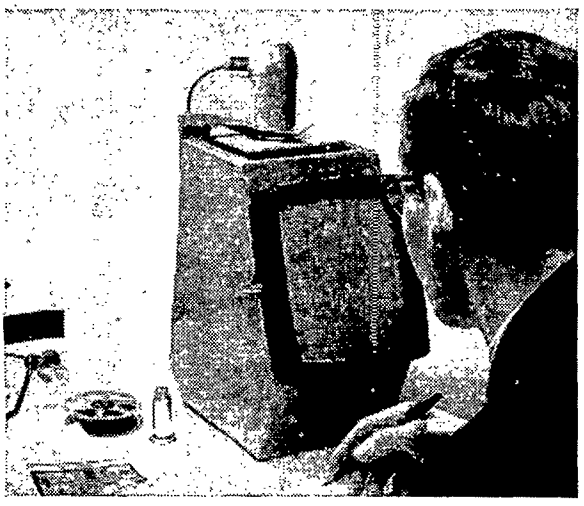
There is a wide range of accessories which may be purchased separately. These include an extension unit to increase magnification to X18, a photographic attachment with focus screen which accommodates 8½ in. by 6½ in. document papers, extension arms, and a carrying case (the instrument itself is fitted with a carrying handle). Some customers have already found the reader highly satisfactory for examining solid objects as diverse as watch gears, lace and medical charts written by an automatic pen.

Alternative models run from 200–250v. or 100–130v.

Equipment

A.C. mains; maximum current consumption is 24W. Price of the basic unit is £78 15*s*, and those of accessories range between about £3 and £8.

Ross Ltd, Clapham Common North Side, London SW4.



Ross Microreader

Economical Addressing

THREE or four address labels may be prepared simultaneously by a new time-saving system known as *Mail-Aids*. These comprise sheets of perforated gummed labels, in sets of three or four, interleaved with one-time snap-apart carbon, and available in boxes of fifty sets.

This stationery could be most useful for applications where, for example, an order is split into two deliveries, a customer's order is received and acknowledged at one address and filled from another, or a series of three or four mailings, without repeats, is sent out. Usually these and similar procedures require repeated typing of addresses, since the making of an address plate or duplicator master would not be economical.

Goodstrack Ltd, Industrial Sales Department, 41–43 King Street, Wallasey, Cheshire.

A.D.P. at Low Cost

AUTOMATIC data processing offers so many benefits in terms of increased efficiency and better, more accurate and more up-to-date information and paperwork that it cannot be disregarded by the business that wants to keep abreast of competitors. And costs are now so much lower that quite sophisticated methods are now within the reach of organizations with modest budgets.

A case in point is an installation comprising an *Addo-X* book-keeping machine linked to an *IBM* card punch and used in conjunction with a card sorter. Capital cost of this equipment works out at around £1,200 plus a monthly rental of about £45 for the *IBM* machines.

In a typical set-up, the book-keeping machine would be used in the normal way, while cards were punched automatically as a by-product of work on the keyboard. These cards would then be mechanically sorted into any grouping required, and run through the punch again. The punch, which is programmed by a card, would automatically read selected columns of the cards and transfer the data back to the *Addo-X* which would, in effect, be operating as a slow-speed, small capacity tabulator. At the end of each group, a total would be taken and a summary card, for subsequent use for cumulative analysis, would be punched.

Four other *Addo-IBM* systems are now available. Type 1 provides card punching only. Type 2, for punching only, has multiple posting facilities, providing duplication of fixed data into related cards and zero proof facilities to test for zero at certain stages. Type 3 is similar to 2, but also includes reading; an alternative set-up provides for reading and tabulating only. Type 4 permits normal punching operations from the *IBM* keyboard, with simultaneous entry of one or two selected fields into the *Addo-X* to provide batch control totals.

Addo Ltd, 47–51 Worship Street, London EC2.

Motorized Card Index

MORE than 200,000 cards in 5 in. by 3 in. size are accommodated in the *Super Elevator*, an American-made motorized rotary file now available in this country. Also suitable for cards in many other sizes, the cabinet houses its contents in removable lightweight trays which are only 13 in. in back-to-front depth.

The open file front provides a working surface and knee space for the operator who brings any chosen section of the file to the working position by touching a button.

Slight pressure on any part of a guard panel which runs the entire width of the file will stop the motor if the operator inadvertently starts it while working on records.

Price on application.

Sankey Sheldon Ltd, 22 Kingsway, London WC2.

Super Elevator Rotary File

UNIVERSITY ACCOUNTING STUDENTS' ANNUAL CONFERENCE

The annual conference of the Association of University Accounting Students of the United Kingdom was held recently in the Council Chamber of Bristol University and was attended by members from Manchester, Liverpool, Sheffield, Cardiff and Bristol universities.

The opening address was given by Mr R. Egarr, assistant city treasurer of Bristol Corporation, on 'The capital finance of local authorities'. He gave an interesting account of the sources open to local authorities for their capital finance and showed the need for a national lending agency to assist the small, but no less credit-worthy authorities. Many questions were asked, showing that this subject – little mentioned in the syllabus for the courses – was of considerable interest.

At the dinner in the evening Mr S. V. P. Cornwell, M.C., M.A., F.C.A., who practises in Bristol and is also a lecturer at the University, gave a light-hearted address on 'The lighter side of auditing'.

On the second day of the conference, Mr F. J. Weeks, F.C.A., chief accountant of W. D. & H. O. Wills Ltd, gave an address on 'Profit planning and variances' in which he dealt with the principles on which the internal control of a large undertaking was achieved and demonstrated the build-up of the costs. He also spoke on the problems of stock control with particular reference to tobacco.

The fourth address was on 'Income tax appeals' given by an inspector of taxes from Bristol, who afterwards answered a considerable number of questions from the audience.

New Officers

At the annual general meeting held during the course of the conference the following officers were elected for 1962–63:

Chairman: Mr M. J. Mumford (Liverpool).
Vice-Chairman: Mr C. Carter (Bristol).
Hon. Secretary: Miss M. Pritchard, Dale Hall, Elmswood Road, Liverpool 18.
Hon. Assistant Secretary: Mr J. Glover (Sheffield).
Hon. Treasurer: Mr G. Mott (Bristol).
Editor: Mr K. Lehrer (Manchester).
Hon. Conference Organizer: Mr J. L. Lichtner (Sheffield).

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CHENNELL & CO, Certified Accountants, of 3 St Peters Place, Brighton 1, announce that they have taken into partnership Mr GEOFFREY GILBODY, A.A.C.C.A., and Mr JULIAN JOURNEAUX, A.A.C.C.A., both of whom have been engaged with the firm for many years. They also announce that within the next few weeks they will be opening a branch office at 45 Church Road, Burgess Hill, Sussex. This branch will be supervised by Mr H. F. H. SHARP, F.A.C.C.A., as resident partner although he will not be severing his connection with the present office.

MESSRS HILL, VELLACOTT & BAILEY, Chartered Accountants, of Belfast, announce that Mr W. CRAIG GARDINER, F.C.A., their senior partner, retired from the partnership on March 31st, 1962, after an association of forty-eight years with the firm. Mr A. MACDONALD GAMBLE, A.C.A., a senior member of their staff for some years, was admitted as a partner on April 1st, 1962.

MESSRS HUDSON SMITH, BRIGGS & CO, Chartered Accountants, of Bristol and London, announce that Mr M. B. NICHOLS, F.C.A., and Mr C. G. I. ROSE, A.C.A., were admitted as partners on April 1st, 1962. On the same date Mr ROSE was also admitted a partner in the associated firm of Messrs HENRY ANSTEY, GROVER & CO, of Bristol, in which firm Mr NICHOLS has been a partner since 1954.

MESSRS JOSOLYNE, MILES & CO, Chartered Accountants, of 28 King Street, London EC2, announce that Mr R. B. BARKER, F.C.A., retired from the partnership at his own request on April 5th, 1962.

MESSRS KEMP, CHATTERIS & CO and Messrs HUDSON SMITH, BRIGGS & CO, Chartered Accountants, of London and Bristol, announce the formation of an associated firm under the name of KEMP, CHATTERIS, HUDSON SMITH & CO, at St Swithin's House, Walbrook, London EC4, and St Giles House, 11 Quay Street, Bristol 1. The partners in the associated firm are Messrs LEONARD PELLS, ARTHUR D. WARDLE, C. GORDON JOHNSTON and ALLAN D. INGLIS, of London, and Messrs ARTHUR L. BARNETT, WILFRED E. DEWDNEY, JOHN BIRKETT and JOHN D. W. MARLE, of Bristol. In furtherance of this arrangement the four London partners have retired from HUDSON SMITH, BRIGGS & CO. The separate firms of KEMP, CHATTERIS & CO, and HUDSON SMITH, BRIGGS & CO will continue to practise under their respective names.

JOHN FOORD & COMPANY
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REVALUATION OF ASSETS
WORKS, FACTORIES, PLANT & MACHINERY, Etc.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of London, announce that Mr T. A. MORTON, F.C.A., who has been a partner for sixteen years, has withdrawn from the firm in order to take up commercial appointments.

MESSRS W. VINCENT VALE & Co, Chartered Accountants, of 16 Waterloo Road, Wolverhampton, announce the retirement of their senior partner, Mr H. R. HARPER, F.C.A., who has been associated with the practice for forty-eight years. As from April 8th, 1962, Mr M. H. GILBERT, A.C.A., has been taken into partnership. Mr GILBERT has been a senior member of the staff for a number of years. The name of the firm remains unchanged.

MR R. S. WALDRON, F.C.A., and Mr R. G. CHANDLER, D.F.C., F.C.A., who have been associated with Mr W. J. KENNY, F.C.A., announce with deep regret his death after an illness of some months. The practice founded by Mr KENNY, and carried on from 297 Dashwood House, Old Broad Street, London EC2, is being continued by Mr WALDRON and Mr CHANDLER from the same address under the style of KENNY, WALDRON, CHANDLER & Co, Chartered Accountants.

Appointments

Mr H. W. Archibald, A.C.A., has been appointed general manager of Lastex Yarn & Lactron Thread Ltd, an associated company of the Dunlop group.

Mr D. E. Bristow, F.C.A., has been appointed a director of Aberforth Holdings Ltd.

Mr H. L. Cocks, F.C.A., has been appointed a director of Duncan Fox & Co Ltd.

Mr John S. Dent, B.A., F.C.A., has been appointed chairman of Santa Rosa Milling Co Ltd.

Mr Paul D. Irons, B.COM., F.C.A., has been appointed a financial controller of William Baird & Co Ltd and will be primarily concerned with their industrial companies at their London office.

Mr Ian C. McAllester, A.C.A., has been appointed secretary of English National Investment Co Ltd.

Mr William J. Todd, A.C.A., F.A.C.C.A., has been appointed general manager and secretary of the Belfast Co-operative Society Ltd, and Mr James G. McCay, A.C.A., has been appointed deputy general manager and assistant secretary.

Sir Douglas Waring, C.B.E., F.C.A., has been appointed a director of Consolidated Tin Smelters Ltd.

DOUBLE TAXATION: DEATH DUTIES

Discussions were recently concluded in London between representatives of the Italian Ministry of Finance and officials of the Board of Inland Revenue on the making of a double taxation agreement on death duties. Agreement was reached subject to further consideration of certain points.

ESTATE DUTY
Delivery of Inland Revenue Affidavits

The Board of Inland Revenue have announced that, in the case of persons dying on or after April 10th, 1962, where the total value of the property included in accounts 1 to 5 of the Inland Revenue affidavit is under £3,500 net and a domicile outside Great Britain is not claimed, the Inland Revenue affidavit should be lodged at the Principal Probate Registry or a District Probate Registry without prior reference to the Estate Duty Office.

Where the date of death is:

(*a*) after July 29th, 1954, and before April 10th, 1962, the figure remains at £2,500 net;

(*b*) after April 9th, 1946, and before July 30th, 1954, the figure is £1,500 net.

TAX RESERVE CERTIFICATES

The Treasury has announced that Tax Reserve Certificates of the Ninth Series issued from April 28th, 1962, until further notice, under the terms of the prospectus dated March 21st, 1961, will bear interest at the rate of 2¾ per cent per annum.

The rate of interest on certificates of the ninth series subscribed before April 28th, 1962, will remain unchanged.

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Mr Thomas Whitehead Hibbert, F.C.A., has been elected President of The Leeds, Bradford and District Society of Chartered Accountants for 1962–63.

Mr T. W. Hibbert

Mr Hibbert, who was admitted to membership of the Institute in 1935, is the first accountant in industry to be elected President of the Society. He is assistant managing director of Jeremiah Ambler Ltd, Bradford, and serves on the executive committee of the Employers' Council, is a director of the Worsted Spinners' Federation and a governor of the Works Study Centre for the wool industry. During the war he served for six years at home and abroad with the Duke of Wellington's Regiment, from which he retired with the rank of Major.

He has been a member of the Society's committee since 1953.

Other officers elected for the ensuing year are as follows:

Vice-President: Mr G. D. Paterson, M.A., F.C.A.

Hon. Secretary: Mr James Whitehead, F.C.A., City Chambers, Infirmary Street, Leeds 1.

Hon. Treasurer: Mr T. L. Waring, B.A., F.C.A.

MOTOR — FIRE — CONSEQUENTIAL LOSS
CAR & GENERAL INSURANCE CORPORATION LTD
83 PALL MALL, LONDON, SW1

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

List of Members 1962

The 1962 edition of the *List of Members* of The Institute of Cost and Works Accountants has now been published. The format has been greatly improved by the use of a new type face which enables the geographical section to be included in double column style as opposed to the previous single column form, the bulk of the volume being thereby reduced. This slimming process has been continued by an increase in the overall page size. These innovations facilitate ease of reference to the year-book.

The book extends to 306 pages and contains information about the Institute's branches, sub-branches and students' societies, and its seven 'centres' in South Africa and Southern Rhodesia. Other information includes the names of past presidents and the composition of the Council and the Institute's committees.

CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will take place on Wednesday next, May 9th, at the Tiger Tavern, 1 Tower Hill, London EC1, at 6 o'clock for 6.30 p.m. The topic for discussion will be 'The 1962 Finance Bill', introduced by Mr B. C. Dixie, F.C.A.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday, May 7th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be 2 Kings, Chapter 4, verses 1 to 7 (The resources of the Spirit).

DEFENCE BONDS: CONVERSION OFFERS

The Treasury has announced that a conversion offer will be made to holders of 3 per cent Defence Bonds (Conversion Issue) issued on September 1st, 1952 and maturing on September 1st, 1962, of which £9 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent Defence Bonds (Conversion Issue) on September 1st, 1962. Holders who accept will receive a final interest payment of six months' interest at 3 per cent per annum on September 1st, 1962. Acceptance of the offer of conversion will not involve any break in the holders' encashment rights. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on September 1st, 1962. The list of acceptances will be closed on June 1st, 1962.

They also announce that a conversion offer will be made to holders of 3 per cent Defence Bonds purchased between March 15th, 1952 and August 30th, 1952, and maturing on September 15th, 1962, of which £2·7 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent Defence Bonds (Conversion Issue) on September 15th, 1962. Holders who accept will be paid interest at 3 per cent per annum on September 15th, 1962, for the period from March 15th, 1962 to September 14th, 1962. Acceptance of the offer of conversion will not involve any break in the holders' encashment rights. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on September 15th, 1962. The list of acceptances will be closed on June 15th, 1962.

ASSOCIATION FOOTBALL

The Birmingham Chartered Accountants' annual inter-office association football tournament was won by Messrs Bowker, Stevens & Co, who defeated a team drawn from the combined offices of Messrs Heathcote & Coleman and Charlton & Co, 3–2 in a match played on April 15th.

REVENUE PAPER

Easter Sittings, 1962

The following cases are down for hearing during the Easter Term:

HOUSE OF LORDS

Pilkington and Another *v.* C.I.R.
C.I.R. *v.* Henry Ansbacher & Co.

COURT OF APPEAL

C.I.R. *v.* The Stafford Coal and Iron Co Ltd.
Brogan *v.* The Stafford Coal and Iron Co Ltd.
Spencer *v.* C.I.R.
Garside *v.* C.I.R.
C.H.W. (Huddersfield) Ltd *v.* C.I.R.
E.Y.L. Trading Co *v.* C.I.R.
Butter *v.* Bennett.

HIGH COURT (Chancery Division)

C.I.R. *v.* Verdon-Roe.
Thomas *v.* Brooke.
C.I.R. *v.* Scott.
Binns Ltd *v.* C.I.R.
Procter *v.* Reid.
Musker *v.* English Electric Co Ltd.
C.I.R. *v.* English Electric Co Ltd.
Jennings *v.* Barfield & Barfield.

ROYAL EXCHANGE
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THE
ACCOUNTANT

ESTABLISHED 1874

MAY 12TH, 1962 VOL. CXLVI. NO. 4560

CONTENTS

	Page
Finance Bill Debate	593
On a Teaching Vocation by *T. E. Gambling, B.Com., A.C.A.*	595
Terms Used in Published Accounts of Limited Companies – II	597
The Accounting World	604
Weekly Notes The Institute's Coat of Arms – Opportunities for Service – Irish Institute's New President – Company Finance – National Income and Expenditure – Institute of Taxation – Stock Exchange Members' Accounts – Decimalization Debate	606
This is My Life . . . by *An Industrious Accountant*	609
Finance and Commerce New Issue Permanent Investments Ltd – Norton Motor Cycles – Hartley Baird Ltd – City Notes – Rates and Prices	610
Correspondence Specialism in the Profession – Annuity Problem – How to Decimalize the Currency	613
The Institute of Chartered Accountants in England and Wales Banquet in Guildhall	614
Eighty-first Annual Meeting	618
Special and Ordinary Meetings of the Council	629
The Chartered Accountants' Benevolent Association Seventy-sixth Annual Meeting	631
Taxation Case Littlewoods Mail Order Stores Ltd *v.* C.I.R.	632
Notes and Notices	633

Finance Bill Debate

IN reviewing the contents of the new Finance Bill two weeks ago we forecast that something not already in it would soon be added; a clause setting right the somewhat inept drafting of the penalty provisions in the Finance Act, 1960. Closing the debate on the second reading of the Bill on May 3rd, THE ATTORNEY-GENERAL told the House of Commons that a decision of the Divisional Court showed that the language of the 1960 Act 'was not fully effective to make the new [penalty] code apply in relation to taxpayers who defaulted before the passage of that Act'. He was referring, of course, to the case of *Fysh v. Martin* which we reviewed two weeks ago.

THE ATTORNEY-GENERAL said that, on appeal, the decision of the Divisional Court might be reversed but some time would elapse before that could happen. Accordingly THE CHANCELLOR OF THE EXCHEQUER had come to the conclusion that the matter should not be left in doubt and that it should be dealt with in the current Finance Bill. He said that the CHANCELLOR would accordingly be tabling a new clause and added, with understandable caution, that it would be 'designed' to secure the desired result beyond further question. It seems very unfortunate that Parliamentary time should have to be wasted in this way over a simple drafting matter. Moreover, not only Parliamentary time will be wasted, for it seems clear that back duty settlements cannot be arrived at in the present state of doubt; and there is no guarantee that the proposed clause will be passed in its original wording, even when that wording is known.

Referring to a member's observation on the lack of speeches in the debate directed to the contents of the Finance Bill itself, THE ATTORNEY-GENERAL commented that one reason was the fact that this year a White Paper had been published explaining the clauses in a major part of the Bill, so that there had been less seeking for explanations in the House. Referring to the suggestion that a White Paper should cover all the contents of each Finance Bill, THE ATTORNEY-GENERAL said that this would involve great difficulty. The drafting of the White Paper would have to proceed side by side with the drafting of the Bill; it would have to be published on the same day, 'with the clauses in the right order as well'. We would add that there is also the difficulty that the draftsman is sometimes surprised to find that his Bill means something different from what he meant it to mean.

Opening the debate, THE CHIEF SECRETARY TO THE TREASURY gave a brief but lucid explanation of the new Case VII tax. He dealt with the point to which we referred when we reviewed the

Bill, namely, the illogicality of taxing the switching profits of mutual assurance companies. The *raison d'être* of the new provisions is to tax what the Government have called 'spendable income'. Hence the comparatively short period within which property has to be bought and sold if the profit is to attract Case VII tax. In this context it is absurd to tax mutual insurance companies on their short-term gains, for they hold the profits on trust for the policy-holders and of course the policy-holder does not receive them until his life assurance matures. Indeed, profits on a with-profits assurance policy are the antithesis of short-term gains. MR HENRY BROOKE told the House of Commons that a deputation had already been received on this topic. THE CHANCELLOR OF THE EXCHEQUER was considering the matter, and Mr BROOKE expressed the hope that it would not prove to be an insuperable difficulty. There should be no difficulty at all in drawing the provisions in such a way that mutual insurance companies are not taxed. No doubt the true answer is that the draftsmen did not think of this aspect. There is, of course, no specific mention of insurance companies. The difficulty arises because the Bill naturally exempts income which is already taxed under Case I; mutual insurance companies do not pay Case I tax.

Mr BROOKE had a word to say about the new inquisitorial powers in clause 15 (5). He denied that there was any unjustifiable breach of confidentiality in the subclause. He put the object of the subclause in this way:

> 'If the Inland Revenue thinks that a false return has been made it can ask for simple factual information, that is to say particulars of purchases or sales in which the agent concerned has acted on behalf of a named client. There is no ground for suggestions I have heard that various inquiries – for example, into advice given by an agent to his client about transactions . . . '

Here he was unfortunately interrupted by a question about the length of time during which a stockbroker would have to keep records. However, it does seem that there is at present no intention to have the Inland Revenue asking accountants and other tax advisers about advice they have given in relation to short-term transactions. That being so, one is tempted to ask why clause 15 (5) has been so worded as to give power to require information from any person who has acted on behalf of the taxpayer 'in connection with any acquisition or disposal of assets by that person'. The phrase 'in connection with' is just about as wide a phrase as could possibly be used, and would certainly cover the giving of advice in relation to the transaction.

There was a half-hearted attempt from the Government to defend the absence from the Bill of any implementation of the CHANCELLOR's promise to abolish Schedule A tax on owner-occupiers. He gave the promise in order to restrain owner-occupiers from appealing against the new rating assessments which will be going out during the coming year, and which will be based on the full value. As there is no definite statement in the Bill that Schedule A will in fact be abolished, or even reduced, owner-occupiers may deem it wiser to ignore the CHANCELLOR's oral assurance. It is clear that if a Schedule A revaluation does take place, then assessments on owner-occupier residential property will follow the then existing rating assessments. An owner who fails to appeal against his rating assessment (on which the rate of tax is usually much higher) may jeopardize his prospects of keeping the Schedule A assessment within bounds.

The point was made in the House, as it has often been made in the past, that changes in estate duty law have in one sense a retrospective effect, in that they cover property acquired before the Budget. However, THE ATTORNEY-GENERAL rejected a plea that immovable property abroad which had been acquired before Budget day should not be subject to the new rule bringing it into charge to estate duty. SIR REGINALD pointed out that when estate duty was first imposed in 1894, it applied to all property (apart from foreign land) whenever it was acquired. No one criticized the present proposal to allow relief in respect of foreign property, movable or immovable, where the property has borne duty in the country of *situs*. Nor did anyone criticize the increase in the minimum estate, from £3,000 to £4,000. There is no doubt that a great deal of unproductive administrative time is devoted to small estates at the margin, and this new increase is unlikely to cost much in real terms. The time is also ripe for an increase in the single and married income tax personal allowances, for they have got out of line with the present value of money and standard of living.

On a Teaching Vocation

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WHILE reading Professor Baxter's concluding remarks in his article on the Parker Report in *The Accountant* of January 20th, I recollected my own entry into teaching. When a qualified accountant announces his intention to take up teaching, the reactions of his colleagues do not seem to differ very greatly from what they might have displayed had he proposed to enter a monastery! A high degree of vocation is needed for both callings, so this may not be too inappropriate; but since the puzzled concern felt by one's friends in such cases proceeds largely from complete ignorance of the issues involved, it seemed to the writer to be a useful piece of work to prepare an abbreviated *apologia pro vita sua*, setting out some of the facts about the work and prospects of a teacher.

Misconceptions

The lack of awareness of the possibility of a teaching career for a qualified accountant is in part due to misconceptions as to the nature of the work and its rewards; however, an even greater cause is the apparent disbelief of some accountants that their art is capable of being taught at all. They feel that since accounting is a practical subject, it can only be acquired through practical experience and therefore that theoretical instruction can count only for very little. Mention must also be made of Mr R. J. Carter's article on this topic which appeared in *The Accountant* of April 7th; this was a forthright statement of the traditionalists' point of view, and it is a good thing that it should have been so forcefully expressed that the reader is left in no doubt as to the nature of the dispute about the method of professional training. It is very tempting to think of the heart of our professional expertise as an arcanum of wisdom of such a refined nature that it can only be acquired by a sort of osmosis. This seems to me to be a denial of the existence of any sort of scientific basis for accountancy. The accountancy profession is not alone in this; the engineering trades were firm believers in the superior virtues of 'sitting next to Nellie' over technical instruction until comparatively recently, and even now one still sees evidences that suggest that the current reverence for technological education in industry may be little more than lip-service in the case of many firms, both large and small.

Without for a moment denying the essential part that the practice of acquired knowledge must play in the training of anyone who proposes to use his art in the field, whether as doctor, engineer or accountant, I want to place on record my own conviction that it is a logical proposition that anything which it is possible to *learn* must be capable of being *taught*, and that practice can only usefully be undertaken after adequate instruction.

Some practitioners might argue that at least, in some instances, the trouble is that the practical experience and knowledge of the teachers themselves is inadequate and that their instruction requires amplification and even correction in the course of practical experience. It may well be that no accountant can have had practical experience of absolutely everything, and thus the teacher of accounting can find himself in the position of one man trying to teach the equivalent of all branches of medicine and surgery. This dilemma is not confined to the teachers alone in our profession and one sometimes feels that our lack of specialization, especially at the humbler levels, leaves us with all the vices and virtues of the horse-and-buggy age of medical practice.

However, it was not so very long ago that medical schools did in fact consist of one or two people telling the students all they needed to know, and it is on the foundations which they laid that the present structure of medical knowledge has arisen. There is a very great need for more teachers of accounting, certainly in technical and commercial colleges; in these institutions the expansion of accounting studies has been very marked in the last few years and is likely to continue as the 'bulge' starts to make itself felt and more and more firms release their commercial apprentices for day-time study. A fair proportion of a teacher's time is taken up with non-specialist students following general business administration courses, or alternatively, as part of courses in mechanical engineering and so on. It is important that this type of course should be in the hands of well-qualified and experienced accountants.

I hope I shall not offend any former colleagues

too greatly in suggesting that the demand for good-quality financial accountants is even more acute than for cost and works accountants. The world of university teaching in this subject is at the moment a small one and detailed comment on 'trading prospects' should perhaps be avoided. Nevertheless, it is probable that opportunities of entry into this branch of teaching will also arise from time to time. Certainly some dramatic developments would be seen if the profession extends its use of the Joint Scheme for the training of our articled clerks.

Teaching Qualifications

When a member of the profession first considers his suitability for a teaching post he has to give some thought to the training and qualifications required. Apart from professional qualifications and very adequate experience (students are very adept at discovering any substantial lacunae, if they exist), the exact requirements are not fixed, as regards further education at least.

Local education authority colleges, as a rule, like a candidate for a lectureship to have taken a one-(academic)-year course at one of the training colleges in Huddersfield, Bolton and London that prepare technical teachers for further education work. This is a fairly serious step to take, because although suitable candidates will receive a reasonable grant-in-aid, a married man is still likely to suffer some loss during the months of training. However, they are also prepared to accept a moderate period of part-time teaching in lieu of formal teacher training. Moreover, in view of the extreme shortage of suitable material, I should be telling something less than the truth if I did not add that appointments are occasionally made without these formalities if the candidate can in some other way demonstrate a genuine interest and probable ability in teaching.

As regards university appointments, apart from a decided preference for graduate members, it is probable that a modest history of publications and, were it possible, research experience would be an asset.

A word might be said on the sources from which an inquirer might obtain detailed information on these matters. The local education authority is invariably glad to give details of part-time teaching opportunities, as well as advising those anxious to take up teacher training. The various training colleges themselves advertise in the professional Press from time to time and some of the vacant appointments in local education authority colleges are also advertised in these periodicals. However, another source of these advertisements is in the back pages of *The Times Educational Supplement* and perhaps in *Technology* (for advanced colleges). University appointments are sometimes to be found in *The Times Educational Supplement* and the professional Press, but more often perhaps in such dailies as *The Times* and *The Guardian*, and in *The Observer*.

Salary Prospects

The struggles of school teachers to improve their conditions have, I fancy, had an adverse effect on recruitment of technical teachers of all sorts. Technical teachers have their own Burnham 'technical' scale which is linked with the main scale in that the lowest grade on the technical scale is the same as the basic grade on the main scale. Thus the ranks at which accountants are likely to be appointed are substantially above the basic grade for school teachers, and in any case practical experience over the age of 21 is usually taken into consideration when arranging a starting salary; moreover, a professional qualification will often be accepted in lieu of a degree in those grades where graduates get an additional allowance.

Following the recent and well publicized pay rise for teachers in the local education authority service, I personally would hazard a guess that the salaries of these accounting teachers are not much below the income which they might have received in industry or practice; that is not to say a further claim is necessarily inappropriate, to the extent that outside salaries continue to rise and that above-average personnel is required for teaching. The additional income possible from incidental sources such as authorship, examinership and consultancy should be borne in mind, as these are encouraged and in some cases they may be substantial. 'Fringe benefits' of the generally accepted 'company car' type are rare, but the vacations and opportunities for overseas visits should not be overlooked.

In conclusion, at the risk of sounding like a latter-day Mr Chips, there are many non-financial compensations in the career of a teacher. Unlike other teachers, an accountancy lecturer has the facility to follow the careers of his students from year-books if not from personal acquaintance; and even after comparatively few years in the teaching profession, I can already see quite a few of my 'young men' at least on the first steps of sound professional careers. There is a sense of having achieved something of very real benefit for one's profession.

Terms used in Published Accounts of Limited Companies—II

ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

CURRENT ASSETS

THE heading 'current assets' is used almost invariably. Some companies deduct the total of current liabilities from the total of current assets. Where a description is given for the resulting net figure, it is most frequently called 'Net current assets', although occasionally it is called 'Working capital'.

Suggestions

72. (*a*) *The heading* CURRENT ASSETS *is appropriate.*
(*b*) *If current liabilities are deducted from current assets, the resulting balance may be described as* NET CURRENT ASSETS, *or* CURRENT ASSETS LESS CURRENT LIABILITIES.

Stock-in-trade and work in progress

73. Stocks are frequently shown as 'stocks', or 'stock-in-trade' or 'stock on hand'. Work in progress is sometimes referred to, usually by the addition of the words 'and work in progress', but occasionally as a separate item. The accounts examined for the purpose of preparing this document were, however, all issued prior to the Council's Recommendation 22, *Treatment of Stock-in-trade and Work in Progress in Financial Accounts*,[1] which is now having its effect on company accounts.

74. Recommendation 22 makes special reference to the description of these items in the annual accounts. In particular the following should be noted in addition to the suggestions below:

> 'The expression "market value" does not indicate whether it implies net realizable value or replacement price and is therefore not regarded as an appropriate description. Such terms as "at or under cost" or "as valued by the company's officials" are also not regarded as suitable.'

75. The following suggestions, after paragraph (*a*), are based on the advice given in Recommendation 22.

Suggestions

76. (*a*) *A simple description such as* STOCK *or* STOCK-IN-TRADE *is normally adequate unless there is a material amount of* WORK IN PROGRESS *or of consumable* STORES *in which case these words may be included in the description. If the total is sub-divided into its component parts, an appropriate description should be applied to each separate amount.*
(*b*) *Where the amount carried forward for stock is material in relation to either the trading results or the financial position, the descriptions should indicate concisely the manner in which the amount has been computed. Normally suitable descriptions, in the appropriate circumstances, might (subject to (c) below) be:*

AT COST

AT THE LOWER OF COST AND NET REALIZABLE VALUE

AT THE LOWEST OF COST, NET REALIZABLE VALUE AND REPLACEMENT PRICE

AT COST LESS PROVISION TO REDUCE TO NET REALIZABLE VALUE (*or* TO THE LOWER OF NET REALIZABLE VALUE AND REPLACEMENT PRICE)

(*c*) *The use of the word 'cost' may require an explanation (possibly by way of note) of the extent to which overhead expenditure is included.*
(*d*) *Where the basis of the amount shown for stock is of a special nature, appropriate descriptions should be used, for example, in a rubber producing company:*

RUBBER ON HAND AT PRICES SINCE REALIZED LESS SELLING COSTS

Debtors

77. There is considerable variety in the description of debtors including 'Debtors', 'Sundry debtors' and 'Trade debtors', with or without the inclusion under the same heading of particular items such as 'Bills receivable', 'Claims', 'Interest accrued', 'Prepayments' and 'Payments in advance'.

78. It would appear that prepayments, although not strictly debtors, are included generally without separate narration.

79. It is not the general practice to record that bad debts have been written off or that a provision has been made for doubtful debts, but this is sometimes done by reference to the deduction of provisions for 'Doubtful debts', for 'Bad and doubtful debts' or for 'Discounts'.

Suggestions

80. (*a*) *The single word* DEBTORS *or the expression* AMOUNTS RECEIVABLE *is adequate to cover all amounts receivable in the ordinary course of business and may be used without additional wording if this is the only material category of debtor.*
(*b*) *If, however, there is more than one category, the word* DEBTORS *may need amplification and for a trading company the expression* TRADE DEBTORS *may be used where appropriate. Suitable descriptions for other material items are:*

PREPAYMENTS

LOANS

BILLS RECEIVABLE

Paragraphs 1–70 of these notes were reproduced in last week's issue.

[1] Reproduced in *The Accountant* of November 19th, 1960.

(c) *Reference to the deduction of provisions for discounts and doubtful debts is usually unnecessary unless the amounts are of special significance.*

Tax reserve certificates

81. Tax reserve certificates are generally shown as a separate item and so described.

Suggestion

82. TAX RESERVE CERTIFICATES *should be so described.*

Liquid resources

83. The general practice is to group together bank balances and cash in hand.

84. Bank balances are frequently described as 'Cash at bank' or 'Cash at bankers'. No less frequently these are described as 'Balances at bank' or 'Balances with bankers'. Sometimes the wording is amplified by reference to particular descriptions such as 'Cash in hand, at bank and at short notice', 'Deposits, bankers' balances, cash and Treasury bills', and 'Money at call and short notice'.

Suggestion

85. Suitable descriptions are:

TREASURY BILLS

MONEY AT CALL AND SHORT NOTICE

BANK BALANCES AND CASH *or (if there is no bank balance)* CASH

Investments

86. In addition to the matters referred to in paragraphs 71 to 85 above, current assets may also include investments dealt with below.

INVESTMENTS OTHER THAN INTERESTS IN SUBSIDIARIES

Trade investments

87. Trade investments are sometimes classified as fixed assets and less frequently as current assets; but generally they are shown under a separate intermediate heading.

88. The words 'trade investments' are most commonly used without further description, although there is a considerable variety of terms less frequently used of which the following are examples:

'Trade and other investments'

'Investments in associated companies'

'Trade investments:
Shares (quoted)
Shares (not officially quoted)
Loans'

'Shares in and loans to associated companies'

'Trade interests:
Shares
Advances'

In some accounts they are grouped with subsidiary companies as in the following example:

'Investments:
Shares in subsidiary companies
Trade investments'

89. The terms generally used for stating the method of arriving at the amount of the trade investments are 'at cost', 'at valuation', 'at directors' valuation at.....'. Where provision has been made for diminution in value, this is usually described as 'amount written off', 'provision for depreciation', 'provision for losses', or 'provision for fall in value'. Paragraph 4 (3) of the Eighth Schedule to the Companies Act, 1948, would not be complied with if the amount of such provision is not shown where the investments are fixed assets, for example, if the asset is stated 'at cost less amount written off' without the amount written off being stated.

Suggestions

90. (a) The description TRADE INVESTMENTS *is normally appropriate. Where a company has investments representing substantial but not controlling interests in other companies or undertakings, particularly where the company has a right to appoint its own representatives to take part in the management, these may be described as* ASSOCIATED COMPANIES *under the general heading* TRADE INVESTMENTS.

(b) One of the following expressions would normally be appropriate for stating the basis on which trade investments are shown in the accounts:

AT COST

AT COST .. .. .. £

Less AMOUNTS WRITTEN OFF £

£

AT DIRECTORS' VALUATION *(with a note of the date of the valuation where it is not the balance sheet date)*

AT MARKET VALUE

Investments other than trade investments

91. Investments other than trade investments may be classified as fixed or current assets according to their character or the circumstances in which they are held. Readily realizable investments which represent funds available but not immediately required for use in the business are generally classified as current assets; both quoted and unquoted investments are generally treated in this way.

92. The following are examples of the many terms used to describe investments (in which connection the requirements of the Companies Act, 1948, particularly paragraph 8 (3) of the Eighth Schedule, are relevant):

'Quoted investments'

'Unquoted investments'

'British Government securities'

'Marketable securities'

'Government and trustee securities'

'Investments:
Quoted in Great Britain
Quoted abroad
Unquoted'

'Investments quoted on a recognized stock exchange:
British Government securities
Other investments'

'Corporation loans'

93. Full details of the investments held are sometimes given.

94. Paragraph 11 (8) of the Eighth Schedule to the Companies Act, 1948, requires the aggregate market value of a company's quoted investments (other than trade investments) to be shown by way of note where it differs from the amount of the investments as stated in the balance sheet. This applies whether the investments are classified as fixed or current assets.

95. The above-mentioned requirement to disclose the market value of quoted investments (other than trade investments) where this differs from the amount stated in the accounts means that there is no necessity (under paragraph 5 (1) (*c*) of the Eighth Schedule to the Companies Act, 1948) to show the method of arriving at the amount of such investments, even where these are classified as fixed assets. The method of arriving at their amount is not usually stated, but where it is stated some of the terms used, in conjunction with the statement of the market value, are:

'At cost'

'At or under cost'

'At cost less amounts written off'

'At cost less surplus on realization'

'At valuation at.....'

'At market value'

The actual amount written off is rarely stated separately.

96. Where unquoted investments are classified as current assets the method of arriving at their amount is not required to be stated, but where they are classified as fixed assets paragraph 5 of the Eighth Schedule to the Companies Act, 1948, requires that the prescribed method shall be shown unless their market value, or if they do not have a market value their value as estimated by the directors, is shown either as the amount of the investment or by way of note.

Suggestions

97. (*a*) *The single word* INVESTMENTS *is normally an appropriate description for investments (other than trade investments and investments in subsidiaries) amplified to indicate whether the investments are 'quoted' or 'unquoted'. The market value of quoted investments will also require to be shown. For investments classified as current assets suitable description would be:*

INVESTMENTS

Quoted – market value	£
..... (19..... £.....)	£
Unquoted	£
	£

Sub-division may be needed to comply with paragraph 8 (3) of the Eighth Schedule.

[NOTE. – Paragraph 28 of the Eighth Schedule to the Companies Act, 1948, provides that the expression 'quoted investments' means an investment as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, or on any stock exchange of repute outside Great Britain, and the expression 'unquoted investments' is to be construed accordingly.]

(*b*) *If investments are classified as fixed assets the prescribed method of arriving at the amount of unquoted investments must be stated, unless their market value, or if they have no market value, their value as estimated by the directors, is shown. The descriptions suggested in paragraph 90 (b) above (in connection with trade investments) would be suitable for the other investments referred to here.*

GROUP INTER-COMPANY INTERESTS

98. There are many variations in the descriptions which are applied to the interests of companies in their subsidiaries. The items concerned fall into five classes:

(*a*) shares in subsidiaries

(*b*) long-term debts owing from subsidiaries

(*c*) current accounts and other short-term debts owing from subsidiaries

(*d*) long-term debts owing to subsidiaries

(*e*) current accounts and other short-term debts owing to subsidiaries.

There is a further complication in that some or all of the amounts in classes (*b*), (*c*), (*d*) and (*e*) may be wholly or partly secured.

99. Before dealing with the choice of terms used as headings when similar items are grouped, it is convenient first to consider divergencies in the descriptions of the items themselves.

Shares in subsidiaries

100. Although most companies, in describing holdings in subsidiaries, refer simply to 'shares', others prefer to use such terms as 'shareholdings', 'investments', and 'investments in shares'. Some companies give full details of their holdings in subsidiaries. The method of arriving at the amount at which the shares are stated is usually given; for example, 'at cost, less amounts written off', 'at cost', or 'as valued by the directors'.

Suggestions

101. (*a*) SHARES IN SUBSIDIARIES *should be so described.*

(*b*) *If the accounts give the basis used in arriving at the amount at which the shares are stated, one or other of the following expressions is generally appropriate:*

AT COST

AS VALUED BY THE DIRECTORS (*as on (date) if not the date of the balance sheet*)

COST LESS AMOUNTS WRITTEN OFF

Amounts owing from and to subsidiaries

102. Numerous expressions are used to describe the indebtedness of subsidiaries to their holding companies, and there is divergence of practice regarding the details of the indebtedness shown in the balance sheet. Some companies show aggregate amounts described by such terms as 'Amounts owing from subsidiaries', 'Advances and current accounts', or 'Current and loan accounts', and not infrequently such descriptions are amplified by a reference to the fact that the amount shown includes unpaid dividends, for example, 'including dividends receivable'.

103. Where there is more than one type of indebtedness of subsidiaries, terms such as the following are used: 'Debentures', 'Mortgage bond', 'Loans –

secured', 'Loans – unsecured', 'Advances on capital account', 'Capital loans', 'Current accounts', 'On current account', 'Amounts due on trade account'. Often when a dividend receivable is included in one of the foregoing headings, specific reference is made thereto, but usually without mentioning the amount involved. There are, however, accounts which show as distinct items 'Interest and dividends receivable', 'Dividends declared but not received', 'Dividend (since received)'.

104. Terms used to describe the indebtedness of holding companies to their subsidiaries are 'Amounts owing to subsidiaries', 'Owing to subsidiaries', 'Amounts due to subsidiaries' or, used as a sub-heading under 'Liabilities', simply 'Subsidiaries'. The fact that the indebtedness relates to 'Advances', or to 'Current accounts' is sometimes mentioned.

Suggestions

105. (*a*) *The expression* AMOUNTS OWING FROM SUBSIDIARIES *may be used to describe the aggregate amount of the indebtedness of subsidiaries to their holding company. If more than one item is shown under this heading the following are examples of appropriate terms:*

CURRENT ACCOUNTS

DIVIDENDS RECEIVABLE (*or* PROPOSED) (*or* SINCE RECEIVED)

LOANS

MORTGAGES

UNSECURED NOTES

(*b*) *The expression* AMOUNTS OWING TO SUBSIDIARIES *may be used to describe the aggregate amount of the indebtedness of a holding company to its subsidiaries. If more than one item is shown under this heading the following are examples of appropriate terms:*

CURRENT ACCOUNTS

LOANS

MORTGAGES

(*c*) *Where security has been given the addition of the word* SECURED *is normally adequate to comply with the requirements of paragraph 8 (9) of the Eighth Schedule to the Companies Act, 1948.*

Grouping of shares in subsidiaries with amounts owing to and/or from subsidiaries

106. Examples of the expressions used to describe the aggregate amount consisting of shares in and amounts owing from subsidiaries (see paragraph 15 (2) of the Eighth Schedule to the Companies Act, 1948) are: 'Shares in and amounts owing by subsidiaries', 'Investments in and advances to subsidiaries', 'Subsidiary companies', 'Subsidiaries' and 'Interest in subsidiaries'.

Suggestion

107. Where the balance sheet of a holding company shows an aggregate amount consisting of shares in subsidiaries and amounts owing to the holding company, without deducting amounts, if any, owing by the holding company to subsidiaries, the expression SHARES IN AND AMOUNTS OWING FROM SUBSIDIARIES *is an appropriate heading. An adequate description of items grouped in this way is:*

SHARES IN AND AMOUNTS OWING FROM SUBSIDIARIES:

SHARES	£
AMOUNTS OWING	£
DIVIDENDS RECEIVABLE (*or* PROPOSED DIVIDENDS)	£
	£

108. Some companies find it appropriate to show in their balance sheets the net amount invested in subsidiaries by deducting from the total of share investments in and amounts owing from subsidiaries, any indebtedness of the holding company to subsidiaries.

Suggestion

109. Where amounts owing from the holding company to subsidiaries are deducted from shares in and amounts owing from subsidiaries, the expression INTERESTS IN SUBSIDIARIES *is suitable. An adequate description of items grouped in this way is:*

INTERESTS IN SUBSIDIARIES:

SHARES	£
AMOUNTS OWING FROM SUBSIDIARIES	£
DIVIDENDS RECEIVABLE (*or* PROPOSED DIVIDENDS)	£
DEDUCT: AMOUNTS OWING TO SUBSIDIARIES	£
	£

This heading is also suitable where no amount is owing from the holding company to its subsidiaries.

Shares in fellow subsidiaries

110. 'Shares in fellow subsidiaries' is the description usually found in the accounts of a subsidiary which holds shares in another subsidiary of the same holding company.

Suggestion

111. SHARES IN FELLOW SUBSIDIARIES *should be so described.*

Amounts owing to or from the holding company and/or its other subsidiaries

112. The balance sheet of a subsidiary may include amounts owing to or from its holding company or holding companies; and may sometimes include amounts owing to or from other subsidiaries of that holding company.

Suggestion

113. Normal descriptions for the above-mentioned items would be:

AMOUNTS OWING FROM/TO (HOLDING) COMPANY

AMOUNTS OWING FROM/TO FELLOW SUBSIDIARIES

AMOUNTS OWING FROM/TO (HOLDING) COMPANY AND ITS OTHER SUBSIDIARIES

AMOUNTS OWING FROM/TO GROUP COMPANIES

AMOUNTS OWING FROM/TO IMMEDIATE HOLDING COMPANY AND OTHER HOLDING COMPANIES

PROFIT AND LOSS ACCOUNT

Profit (or loss) balances

114. The expressions employed to describe the principal item of income differ widely. In some instances the expression is confined to the words 'Trading profits', or the words 'Manufacturing' or 'Operating' are used instead of the word 'Trading'. Occasionally the words 'Surplus on trading' or 'Deficit on trading' are used.

115. Where the account includes what is merely a balance struck before deducting certain outgoings shown in the accounts the description used is sometimes 'Balance on trading' which may or may not be amplified by words such as 'before dealing with the items in this account' or 'subject to the following items' or 'before charging amounts shown opposite'.

116. Other amplifications of the description include references to:

(i) outgoings deducted in arriving at the amount of the opening item in the account or the non-trading items included, for example, 'including transfer fees, after deducting wages, salaries; . . .'
(ii) provisions charged in arriving at the profit figure
(iii) adjustments of prior year's income or non-recurring items

117. Mining and plantation companies normally show sales and details of outgoings.

118. Balances (or sub-totals) designated as 'profit' balances appear at various points in the same account and narratives including the word 'profit' sometimes recur at each successive stage as the account deals with taxation, outside shareholders' interest, and exceptional items. The principal 'profit' figure is sometimes given before and sometimes after deducting tax and the other items mentioned above. Even in accounts in which the treatment is similar, the variation in terminology is considerable.

119. The words 'for the year' are generally, but not invariably included in the description of the profit. The word 'net' is frequently used. The words 'carried down' or 'carried to appropriation account' are generally used in the double-sided form of profit and loss account. In some accounts there is no indication of whether the result is a profit or loss, for example, 'Balance carried down'.

[NOTE. – No. 18 of the Council's Recommendations on Accounting Principles was not issued until October 1958. The practices referred to in the preceding paragraphs are now being superseded to an increasing extent by those recommended by the Council.]

Suggestions

120. (*a*) *One of the following expressions:*

TRADING PROFIT FOR THE YEAR

OPERATING PROFIT FOR THE YEAR

TRADING SURPLUS FOR THE YEAR

is suggested as an appropriate description for trading companies for the principal item of income provided that it is stated after deduction of depreciation and all other trading expenses including those which are also disclosed separately in the accounts.

(*b*) *An appropriate description for the total of trading and non-trading income, less outgoings, is* PROFIT BEFORE TAXATION.

(*c*) *After charging taxation a suitable description for the resulting amount is* PROFIT AFTER TAXATION.

(*d*) *Where applicable, the words* LOSS *or* DEFICIT *are appropriate instead of* PROFIT.

(*e*) *The use of the word 'balance', without further amplification, is not an appropriate description for significant amounts carried down or forward.*

Depreciation

121. Depreciation is most frequently indicated by the single word 'Depreciation' although it is sometimes preceded by the words 'Provision for'.

122. Occasionally the analysis over various assets is shown, but more frequently the assets concerned are indicated without separate amounts being given, or the words 'on fixed assets' are included. Obsolescence is sometimes mentioned and the word 'Amortization' is occasionally introduced as an addition to the wording, not only for leaseholds and patent rights. Reference to provision for renewals or replacements is occasionally added.

Suggestions

123. (*a*) *The single word* DEPRECIATION *is appropriate to describe amounts charged to provide for that part of the cost or book amount of a fixed asset which is not recoverable by an owner when it is finally put out of use by him.*

(*b*) *Amounts written off mining properties, gravel-pits and similar wasting assets by reference to physical consumption may appropriately be described as* DEPLETION. *The word* AMORTIZATION *is appropriate for leaseholds and patent rights.*

(*c*) *A suitable description of amounts charged with the intention of providing for the cost of renewals of fixed assets is* PROVISION FOR RENEWALS.

Directors' remuneration

124. The expressions used to satisfy the requirements of section 196 of the Companies Act, 1948, as to disclosure of amounts receivable by directors are seldom identical. The various items generally appear under a heading which is most frequently described as 'Directors' emoluments', although 'Directors' remuneration' is also used. Sub-headings giving the required distinction between amounts receivable for services as directors and those receivable for other services, generally appear under this heading; for example:

'Remuneration of directors:

Fees

Other emoluments'

125. In distinguishing amounts receivable for services as directors the expression most commonly used is 'Fees', although the additional words 'as Directors' or 'for services as Directors' are also found.

126. There is a greater variation in the description of amounts receivable other than for services as directors. A frequently used expression is 'Other emoluments'. The word 'Management' or 'Managerial' is sometimes included. Words such as 'Service in executive capacities' occur occasionally. The distinction is sometimes made in the form 'as directors' and 'as executives'.

127. References to 'Pension scheme contributions' are found as part of amounts receivable other than for services as directors and also as separate items. Separate items also occur for 'Pensions' and 'Compensation for loss of office' as required in appropriate circumstances by section 196 of the Companies Act, 1948.

Suggestions

128. (a) One of the terms DIRECTORS' REMUNERATION *or* DIRECTORS' EMOLUMENTS *is appropriate.*

(b) In a consolidated profit and loss account it is desirable to introduce an identifying reference such as REMUNERATION OF DIRECTORS OF (HOLDING COMPANY) LIMITED.

(c) Where, in order to comply with the requirements of section 196 of the Companies Act, 1948, the total remuneration to be stated includes payments outside the scope of the account (for instance, payments made to directors of a holding company by subsidiaries not consolidated) a suitably worded note would be REMUNERATION (INCLUDING THAT FROM SUBSIDIARIES) OF DIRECTORS OF (HOLDING COMPANY) LIMITED £.....

(d) The statutory distinction between emoluments for services as directors and other emoluments may be indicated as follows:

DIRECTORS' FEES
OTHER EMOLUMENTS
or
FOR SERVICES AS DIRECTORS
FOR OTHER SERVICES
or
AS DIRECTORS
AS EXECUTIVES

(e) Reference to pensions and special payments will be required in appropriate circumstances, for example:

PENSIONS:
FOR SERVICES AS DIRECTORS
FOR EXECUTIVE SERVICES
COMPENSATION TO DIRECTOR FOR LOSS OF OFFICE
PAYMENT TO DIRECTOR ON RETIREMENT
LUMP SUM PAID TO DIRECTOR IN COMMUTATION OF PENSION RIGHTS

Auditors' remuneration

129. Auditors' remuneration is commonly described as either 'Remuneration' or 'Fees', often with an additional reference to 'Expenses'. Where the word 'Fees' is used it is prefixed by 'Audit' more commonly than by 'Auditors'.'

Suggestion

130. The statutory expression AUDITORS' REMUNERATION *which, in accordance with paragraph 13 of the Eighth Schedule to the Companies Act, 1948, will include expenses, is normally appropriate.*

Interest paid (or payable)

131. Interest paid (or payable) is most commonly designated 'Interest on debentures' or 'Debenture interest' (or 'Debenture stock' instead of 'Debentures'), or 'Interest on loan stock'. Additional wording, such as 'and mortgages' or 'and Secured loans' is often found. The use of the expression 'Fixed loans' does not often occur despite its use in paragraph 12 (1) (*b*) of the Eighth Schedule to the Companies Act, 1948. Where interest other than that on debenture and other fixed loans is shown, the descriptions include the expressions 'Bank interest', 'Interest on overdraft' and 'Bank and other interest'. Where different types of interest are detailed under a heading, this heading is usually 'Interest' or 'Interest payable'.

Suggestion

132. The wording used for interest paid (or payable) should identify it with the relevant liability item in the balance sheet. Where interest paid (or payable) on more than one item is shown, a heading such as INTEREST PAID (*or* PAYABLE) *would normally be satisfactory. This would be followed by the relevant liability items, for example:*

INTEREST PAID (*or* PAYABLE) ON:
DEBENTURES
UNSECURED LOAN STOCK
(or other fixed loans)
} as described in the balance sheet.
BANK OVERDRAFT

Dividends and interest received or (receivable)

133. Accounts often contain two or more items of dividends and interest received (or receivable) and the expressions used depend partly on whether the items are grouped under a heading. In some accounts a heading is used, this being most frequently 'Dividends and interest' (occasionally with either 'received' or 'receivable' added) although 'Income from investments' also appears. Where no heading is used, the prefatory words 'Income from' or 'Dividends from' are found with, occasionally, an additional item introduced by 'Interest on'. A composite prefatory expression found occasionally is 'Dividends and interest from' (or 'on').

134. Indications of the type of investment, other than 'Trade investments', are not generally given, a common description being 'Other investments'. References to 'Associated companies' and 'Government securities' are the most usual exceptions. Interest on Government securities is sometimes combined with income on other types of investments. Other classifications found are as between quoted and unquoted investments, and as between industrial companies and Government securities. Sometimes there is no classification, for example, the single word 'Investments' is used or the item is designated 'Dividends and interest'.

135. The treatment of interest other than that on investments is not consistent. Occasionally it appears under the heading for interest and dividends and sometimes it is stated separately. Descriptions of such interest include 'Sundry interest', 'Bank and other interest' and 'Interest receivable'.

Suggestions

136. (a) Where dividends and interest received (or receivable) are grouped under one heading a suggested heading is INVESTMENT INCOME *with the addition of the words* AND OTHER INTEREST *when non-investment interest is included. Alternatives are* DIVIDENDS RECEIVED (*or* RECEIVABLE) *and* INTEREST RECEIVED (*or* RECEIVABLE).

(*b*) *The description of investment income, where detailed, should correspond with the analysis of investments shown in the balance sheet.* TRADE INVESTMENTS, QUOTED INVESTMENTS *(with reference to Government securities where appropriate) and* UNQUOTED INVESTMENTS *will normally therefore be appropriate. Interest such as that on* BANK DEPOSITS *and* TAX RESERVE CERTIFICATES *should be so described.*

Taxation

137. The terms used to describe the tax items in a profit and loss account depend to a very great extent upon the way in which the information concerning the tax charge is presented. In general the item for tax is given a main heading and then supplemented by note or otherwise. A heading such as 'Taxation based on the profit for the year', or minor variations of that wording, is often found. The word 'Taxation' is also often used as a heading. The charge for taxation is seldom described as 'a provision'.

138. Usually the charge for income tax is described simply as 'Income tax' or as 'United Kingdom income tax'. When the main heading is merely the word 'Taxation', words such as 'based on the profit for the year' are sometimes added to the words 'income tax', or an indication is given of the basis on which the tax has been computed by showing the year '19...../.....'.

139. Profits tax is usually described simply as 'Profits tax' or as 'United Kingdom profits tax', sometimes with an indication of the period covered by the charge.

140. A variety of expressions is used to describe charges in respect of overseas taxation. The description 'Overseas taxes' with variations such as 'Dominion', 'Colonial' and 'Foreign', is often used. In some accounts where the company concerned has interests in only one overseas territory the name of the country is included in the description of the tax charge.

141. Double taxation relief is normally described as such or as 'Double taxation credit'.

142. Adjustments relating to previous years are described by expressions such as 'Provision for taxation not required', 'Over-provision for taxation in previous years', 'Provision for taxation in previous years no longer required'. The items are sometimes shown as adjustments to the year's tax charge and sometimes as separate items in the profit and loss account.

143. The practice of setting aside tax deferred by capital allowances appears to be growing. Where the amounts set aside only take into account the effect of initial allowances the description of the item includes the words 'Initial allowances'. The word 'equalization' is used in some accounts. The effect on the tax charge of investment allowances is sometimes stated. In general, however, the wording for these matters varies greatly.

Suggestions

144. (*a*) *An appropriate expression as a heading to describe the tax charge is:*

TAXATION

or

TAXATION BASED ON THE PROFIT OF THE YEAR

Where appropriate the words 'UNITED KINGDOM' *may be included before the word* 'TAXATION'.

(*b*) *The charge for income tax may be suitably described as:*

INCOME TAX

or

INCOME TAX BASED ON THE PROFIT OF THE YEAR

Where the heading or the description does not include the words 'Based on the profit of the year' the year of assessment or other indication of the period of accrual should be given.

(*c*) *A suitable description for the charge for profits tax is:*

PROFITS TAX

or

UNITED KINGDOM PROFITS TAX

It should only be necessary to indicate the period covered by the charge for profits tax if it does not relate to the period covered by the profit and loss account.

(*d*) *A charge in respect of overseas taxation may be described as:*

OVERSEAS TAXATION

or

OVERSEAS TAXES

Where the charge in respect of overseas taxation relates solely to a charge under the tax laws of one country, it is appropriate if thought desirable to include the name of the country in a description of the tax charge. Similarly, where a tax charge relates solely to Dominion, or to Colonial tax, then the charge may be described as:

DOMINION TAXATION

or

COLONIAL TAXATION

(*e*) *Suitable descriptions of credits in respect of double tax relief are:*

DOUBLE TAXATION RELIEF

DOUBLE TAX RELIEF

(*f*) *Adjustments of the taxation charge in respect of previous years may be described as:*

OVER-PROVISION (*or* UNDER-PROVISION) IN RESPECT OF PREVIOUS YEARS

PROVISION NO LONGER REQUIRED

ADJUSTMENTS IN RESPECT OF PREVIOUS YEARS

(*g*) *Where amounts are set aside for taxation deferred by capital allowances, transfers to and from this account may be described as:*

TAX DEFERRED BY CAPITAL ALLOWANCES

TRANSFERS TO (*or* FROM) AMOUNTS SET ASIDE FOR TAX DEFERRED BY CAPITAL ALLOWANCES

TRANSFER TO (*or* FROM) TAX EQUALIZATION ACCOUNT. (*An item so described should preferably be amplified by an explanatory note.*)

(*h*) *Suitable narrative indicating the extent to which tax charges are reduced by investment allowances is:*

TAX RELIEF ON INVESTMENT ALLOWANCES

(To be concluded.)

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

Imps of Canada Blazes an Accounting Trail

AT the time of the release of its 1961 financial statements, early in March, the Imperial Tobacco Co of Canada Ltd called a meeting of business executives, investment analysts, professors of accounting and other interested persons to explain a revolutionary change in its published accounts. The company's auditors were officially represented.

It was announced that in the 1961 published accounts and also in the redrafted 1960 accounts, for comparative purposes, the fixed assets had been converted to current replacement cost, and the year's depreciation provision charged in determining profits had been calculated on the same basis. What is more, the company expressed its intention to adopt the same procedure each year in the future.

Comments on the year's operations, in the annual report, state that for some time past the company has been charging an amount to operations, through both depreciation and fixed asset replacement, which in the opinion of management would prevent any erosion of real capital. Complete revaluation of fixed assets would, in the past, have imposed too heavy clerical burdens, but with the advent of business machines of increasing flexibility, this problem has been largely removed.

The buildings and land have been appraised by stated independent appraisal companies, while machinery and equipment have been valued by company officials at replacement cost. The increase in the stated value of fixed assets before depreciation is $23,918,000, which has been credited to capital increment, under the heading of shareholders' risk capital, in the balance sheet. The original cost was $59,493,000. The charge of $3,482,000 for depreciation in 1961 is $475,000 more than historical cost. In addition to this current year's charge the accumulated depreciation based on replacement cost, amounting to $42,654,000, has been made up by a transfer of $2,464,000 from a replacement reserve already available and another of $1,008,000 from retained earnings. It is thus represented by actual funds retained within the business from past or present operations.

It was announced at the meeting that elimination of inflation profit resulting from the company's large inventories of leaf tobacco, etc., valued at $90 million at average cost, had been considered but deferred. Clearly, with such a huge and slow-moving inventory, there must still be a lot of inflation here.

Imperial Tobacco is the first company in Canada to take drastic action of this sort on a continuing basis. Apart from a necessary exception to the usual statement that the accounts are as shown by the books, the auditors' opinion is unqualified. The accounts are thus accepted as being 'in accordance with generally accepted accounting principles'. Where does the accountancy profession now stand in this matter?

UNITED STATES

Accountants and Tax Law

MR MARK E. RICHARDSON, C.P.A., a former Vice-President of the American Institute of Certified Public Accountants, and at present a member of its Council, states in a recent issue of *The Journal of Accountancy*, that the determination of income for Federal tax purposes should not differ basically from that which is founded on the principles of accounting theory. Because of a lack of accounting knowledge many concepts have been applied to the tax law, resulting in a mathematical answer which was anything but net income.

The basic precept that related items of income and cost should be reflected in the same chronological period has been so often vitiated by strained construction that Mr Richardson considers it fortunate to have survived at all. He cites illustrations such as taxation of a bus company on gross receipts from ticket sales in the year of receipt, though all the services have still to be rendered. These are just as applicable, it may be noted, to the past history of Canadian taxation.

Quoting a judge of the Tax Court of the United States, Mr Richardson urges that accounting problems require flexible and sound, but not doctrinaire, techniques and that the determinations of income for tax purposes should do the same, for it is the interpretations of law by rigid legal rules that result in distorted accounting. The more doctrinaire techniques are applied, the more tax avoidance becomes a paramount game.

Mr Richardson calls on the accounting profession to make a deliberate renewed attempt to reverse the trend towards variances. He thinks that the establishment of basic principles of taxation, within which framework a taxing statute could apply, should be within the abilities of experienced and dedicated members of the profession.

AUSTRALIA

Society's Seventy-fifth Anniversary

THIS year the Australian Society of Accountants celebrates the seventy-fifth anniversary of the oldest of its antecedent bodies.

To mark the occasion, anniversary dinners have

been held throughout Australia during March and April, attended by leading representatives of Government departments, industry, commerce and the professions.

The credit for originating the idea that accountants in Melbourne should join together to form a local branch of The Society of Incorporated Accountants and Auditors, London, is accorded to the late Mr Charles A. Cooper, and a meeting to further this purpose was held in December 1885. Thus, on March 1st, 1887, the Incorporated Institute of Accountants, Victoria, was incorporated with a foundation membership of forty-five. In 1921 the name was changed to the Commonwealth Institute of Accountants. Its contemporary, the Federal Institute of Accountants which was incorporated in Victoria in 1894, had in the meantime made considerable strides in developing the profession by forming branches outside Victoria. In 1952, however, a plan to merge the two Institutes was approved and the Society under its present title was incorporated.

We take this opportunity of extending our congratulations to the Australian Society of Accountants on this memorable occasion in its history.

INDIA

Indian Cost Accountants New President

MR G. BASU, F.S.A.A., relinquished the office of President of The Institute of Cost and Works Accountants of India on April 10th, following his election to the Indian Parliament. Mr J. N. Bose, M.A., A.C.W.A., a member of the Council of the Institute and who has served as Vice-President for several terms, has been elected President.

BRAZIL

The Abacus Society

THE annual report for the year ended March 31st, 1961, of The Abacus Society of São Paulo, presented at the ninth annual general meeting, held on April 25th, records a total membership of the Society at March 31st of forty-seven – twenty-three being members of the English Institute, five of the Scottish Institute, one of the Irish Institute and four of The Association of Certified and Corporate Accountants.

A wide variety of monthly meetings were held during the year when addresses were given on such topics as 'Finance and investment companies in Brazil', 'The accounting profession and tax administration', 'Some unsolved problems facing the accounting profession', 'Projected changes in Brazilian income tax law' and 'Computers'. The committee wished to encourage younger members of the profession in Brazil to take a more active part in the administration of the Society. In order to assist in achieving this, Messrs C. K. Atkinson, F.C.A., and C. J. Cross, F.C.A., both former Presidents of the Society, indicated that they would not be available for re-election to the committee. The report referred with gratification to the outstanding services which these two founder members have rendered to the Society since its inception.

The officers and committee members of the Society for 1962–63 are as follows:

President: Mr R. H. Rogers, F.C.A.
Hon. Secretary: Mr C. E. G. T. Kirk, F.C.A., The Abacus Society, Caixa Postal 2922, São Paulo, Brazil.
Hon. Treasurer: Mr P. C. G. de Kersaint Giraudeau, A.C.A.
Other Committee Members: Messrs G. H. Osborn, A.A.C.C.A., D. M. Delaney, A.C.A. In addition, the Immediate Past-President, Mr G. L. Bishop, A.R.A.N.Z., will serve as an *ex-officio* member.

OVERSEAS TAX DEVELOPMENTS

THE following notes have been made available by the Inland Revenue Library (Foreign Section).

Canada

Recent Budget proposals include:

(1) The tax payable by companies on income arising from increased sales will be reduced by half for the first $50,000 of such income and by 25 per cent on any excess.
(2) The child allowance will be increased from $250 to £300.
(3) The maximum dependent relative allowance will be increased from $500 to $550.
(4) The additional capital cost allowance (depreciation) available for investment in new industries or areas of unemployment will now be available for assets acquired before January 1st, 1964.
(5) 150 per cent of amounts expended by companies on scientific research is to be deductible.
(6) Non-resident companies whose principle business is mining iron-ore in Canada will be exempt from the 15 per cent non-resident tax.
(7) The deduction of logging taxes in computing income will no longer be allowed but a credit of two-thirds of the provincial tax or two-thirds of 10 per cent of the income from logging will be given against the Federal tax.
(8) Various concessions to encourage exploration for oil and natural gas, including the right to charge prospecting and drilling expenses against income.

Italy

It is reported that a 'tax on dividends' – presumably a withholding tax – is to be introduced.

India

The Budget presented at the end of April is understood to include the following proposals:

(1) To increase the rate of tax on Indian companies, on income other than certain dividend income, from 45 per cent to 50 per cent.
(2) To abolish the expenditure tax.
(3) To increase the rate of wealth tax.
(4) To subject capital gains to the normal income tax and supertax.

Weekly Notes

THE INSTITUTE'S COAT OF ARMS

MANY readers will remember the colour reproduction of the coat of arms of The Institute of Chartered Accountants in England and Wales included as a supplement to *The Accountant* of October 1st, 1949 – our seventy-fifth anniversary issue. Since then, and particularly since the integration of the Society of Incorporated Accountants in 1957, many requests have been received for copies, the supply of which has long been exhausted. We therefore have pleasure in including with this week's issue, which contains reports of the Institute's eighty-first annual meeting and Guildhall banquet, a further colour plate of the coat of arms.

The armorial description from the grant of arms of 1881 is as follows:

> 'Argent on a Mount in Base in front of a Rudder in bend sinister a Female figure proper representing "Economy" habited Gules mantled Azure about the temples a Wreath of Olive in the dexter hand a Rod and in the sinister a pair of Compasses also proper a Chief of the second thereon a Balance suspended also Or, as the same are in the margin hereof more plainly depicted [not reproduced] together with the Motto "Recte Numerare".'

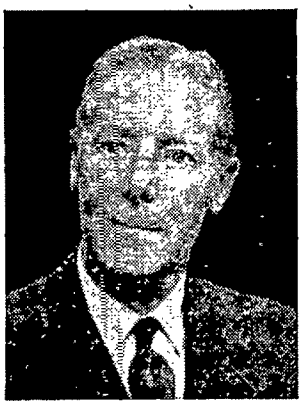
OPPORTUNITIES FOR SERVICE

THE impact on the accountancy profession in this country if the United Kingdom joins the European Common Market – and, also, the opportunities for providing professional services which would accrue from this step – were considered by Mr P. F. Granger, F.C.A., in his Presidential address at the eight-first annual meeting of The Institute of Chartered Accountants in England and Wales held on Thursday of last week and reported elsewhere in this issue. It has long been the belief of the Institute Council that a properly qualified accountant should be free to practise wherever he elects but, as Mr Granger pointed out, 'there are many differing conceptions of the profession on the Continent of Europe'. There will be, as he suggested, difficulties to be overcome before a world-wide, unilateral level of professional accounting standards can be agreed, but two early opportunities of tackling this vital question will be in September of this year at the Eighth International Congress of Accountants and twelve months later when the European Congress of Accountants takes place in Edinburgh.

Another timely point touched on by the President is the position of the qualified accountant regarding the examination of Government records. It is the proud boast of Parliament that it operates an internal system of financial control which honourably accounts for every penny but it is equally important to ensure that the money is being wisely as well as honestly spent – particularly in the cases of nationalized industries where vast sums are sunk annually in capital expenditure. Part of the training of the qualified accountant is directed towards being able to investigate the financial aspects of such projects and in this, as in other directions, it might well be to the advantage of the Government and, consequently, of every taxpayer to employ independent professional accountants to a greater extent than it does at present.

IRISH INSTITUTE'S NEW PRESIDENT

MR ROLLO ELLIS McCLURE, M.B.E., F.C.A., a partner in the firm of Rawlinson, Allen & White, Chartered Accountants, of Belfast, was elected President of The Institute of Chartered Chartered Accountants in Ireland at the Institute's annual meeting held in Dublin on May 5th.



Mr McClure, who was educated at Mourne Grange and Sedbergh, served under articles with his father, the late John D. McClure, F.C.A. and passed the Institute's Final examination in November 1932. He was admitted to membership of the Institute in the following year and in 1935 became a partner in the firm of John D. McClure & Co.

From 1939–45 Mr McClure served with the Royal Artillery in a light anti-aircraft regiment and was awarded the M.B.E., being demobilized with the rank of Major.

On returning to civilian life he resumed practice and was elected a Fellow of the Institute in 1946. A past treasurer and chairman of the Belfast Society of Chartered Accountants, Mr McClure was elected to the Council of the Institute in 1954 and was appointed Vice-President at the annual meeting last year.

The new President is an enthusiastic golfer and is keenly interested in motor sport.

The new Vice-President is Mr Robert Patrick Feltham Olden, F.C.A., a partner in the firm of Atkins, Chirnside & Co, Chartered Accountants, of Cork and Dublin.

COMPANY FINANCE

AN article by the Board of Trade in the April issue of *Economic Trends* discusses the income and finance of 2,600 quoted industrial companies in the United Kingdom over the period 1949 to 1960. The total income of these companies is shown to have increased by about 8 per cent per annum but over the period as a whole £11,000 million was added to capital and reserves and the ratio of incomes to total assets has tended to decline, though a slight recovery in the ratio occurred in 1959 and 1960.

For all manufacturing industries and distribution the ratio fell from a peak of around 16 per cent in 1954 to only about 10 per cent in 1958. In retail distribution, however, the ratio increased from about 14 per cent in the early 1950s to about 19 per cent in 1960, while the chemical industry has also shown a rise against the general trend, in this case from about 12 per cent in 1952 to about 16 per cent in 1960. In the latter case, however, there were three distinct periods, a rise between 1952 and 1954 followed by a fall to 1958 and a fairly sharp recovery in the next two years.

Over the period 1953–55 to 1958–60 the average increase in annual income per £100 of new capital was £12. The highest ratios were shown by retail distribution (£21), metal goods (£18), chemicals (£17), and drink (£17). At the other end of the scale the figure for electrical engineering was only £7.

NATIONAL INCOME AND EXPENDITURE

THE statistics of national income and expenditure for the fourth quarter of 1961 show a fall in gross domestic product (at average 1958 prices and seasonally adjusted) from £5,530 million in the third quarter to £5,459 million, a figure almost exactly equal to that for the first quarter of the year, and about 0·8 per cent above that for the fourth quarter of 1960.

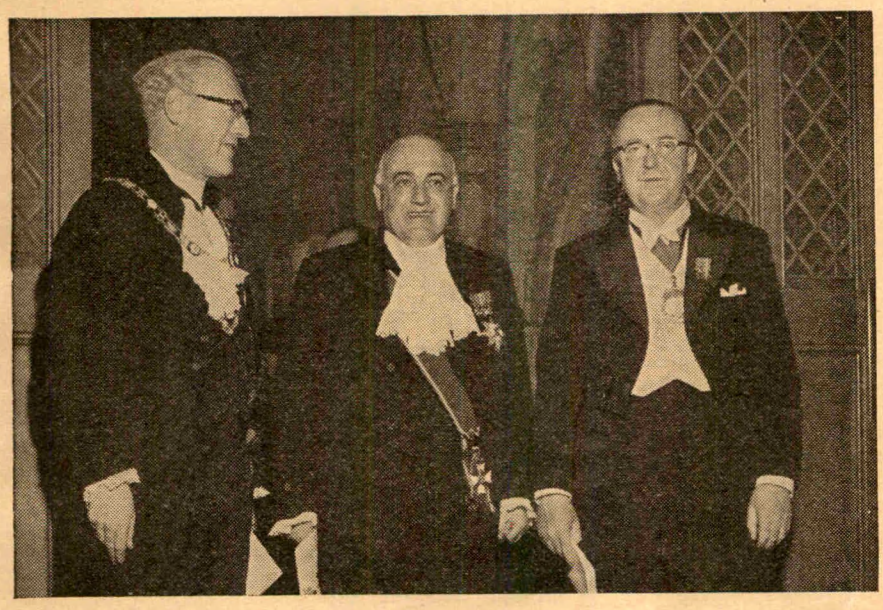
Between the fourth quarter of 1960 and the corresponding period of 1961 total domestic income rose by over 4 per cent as a result of the growth in income from employment. The total wage and salary bill rose by 6¼ per cent and domestic factor costs per unit of output by over 3 per cent. In spite of the increase in fuel tax imposed in the 1961 Budget and the 10 per cent surcharge on purchase tax and customs and excise duties imposed at the end of July, the rise in prices was comparatively modest and company profits were 5½ per cent lower in the fourth quarter of 1961 than a year earlier.

Fixed investment by all sectors and industries together was 2¼ per cent higher in 1961 than in 1960 but after a continuous rise from the last quarter of 1959 to the third quarter of 1961 fell back in the fourth quarter.

One of the major factors affecting domestic output was, of course, the substantial fall in stockbuilding from £584 million in 1960 to £358 million in 1961 (at 1958 prices), a decline equal to over 1 per cent of total demand. There was, however, a small rise in stockbuilding in the fourth quarter.

INSTITUTE OF TAXATION

ADDRESSING the annual meeting of the Institute of Taxation held in London last Tuesday, the President, Mr Frederick Bidston, F.A.C.C.A., F.C.I.S., F.T.I.I., said that some of the critics of the recent Budget proposals might not fully have appreciated such underlying factors as the uncertain future economic position, Britain's possible entry into the Common Market, and what he hoped were



At the banquet of The Institute of Chartered Accountants in England and Wales, in Guildhall, London, last week. The Lord Mayor, Alderman Sir Frederick Hoare (*right*), with the Lord Chancellor, Viscount Kilmuir, and the President of the Institute, Mr P. F. Granger, F.C.A.

Report and more pictures on other pages.

preparatory moves which would eventually lead to the simplification of income tax as a whole.

If the Chancellor were to be criticized, Mr Bidston said, the major criticism ought to be against the high volume of Government expenditure and his permitting vague and uncertain draftsmanship in taxing statutes. At the same time, he added, it had to be appreciated that a progressively-minded Chancellor who might personally be most anxious to pursue the general subject of simplification was bound to meet with resistance from the permanent officials who seemed rather averse to any change of traditional procedures.

Whilst Mr Bidston welcomed the Chancellor's promise to abolish Schedule A on owner-occupied property, he felt that Mr Selwyn Lloyd should have been more specific. Most people would regard the changes in estate duty as being fully justified, he said, and no one could quarrel with the additional reliefs on small fixed incomes.

Although the speculative gains tax was less onerous than had at one time been anticipated, it was nevertheless true that it provided yet one more case where information had to be provided at no cost to the authorities, and it added to such existing burdens as collecting P.A.Y.E., and graduated National Insurance contributions, and the completion of trade census returns. Sooner or later, he declared, the professions, industry and commerce would refuse to continue to meet the necessary overhead costs entailed, as the argument that expenses were allowed for income tax purposes was not a complete answer in many cases.

STOCK EXCHANGE MEMBERS' ACCOUNTS

THE Council of the London Stock Exchange recently confirmed the revision of Rule 79a relating to members' accounts, briefly mentioned in our issue of March 17th (page 326). The rule formerly provided for the preparation by an independent accountant of a balance sheet and report, the 'presentation' of these to the member firm, and notification of presentation to the Council. The new rule contains five significant amendments; these are that:

(*a*) adequate records of the firm's transactions and finances must now be maintained;

(*b*) the balance sheet must give a true and fair view of the state of the firm's affairs;

(*c*) the balance on the firm's capital account must be sufficient to ensure the 'minimum margin of solvency';

(*d*) an examination by an 'independent qualified accountant' is required and a copy of the accountant's report must be submitted by the firm to the Council within six months of the balance sheet date;

(*e*) all the partners in the firm must sign the balance sheet.

A few words of explanation and elaboration may be useful. Clause 1 of the rule lists the records mentioned at (*a*) above. They add nothing to the ordinary requirements of sound business practice. Clauses 6, 7 and 8 give the information essential to disclosing a 'true and fair view' (*b*). Here it is worth noting that option money receivable by a firm is still not to be regarded as an asset until the option is exercised or abandoned.

The minimum margin of solvency (*c*) as previously stated is: £10,000 per firm of brokers and £15,000 per firm of jobbers, and not less than £5,000 per partner in either case. Assets eligible for computing the margin may be said, in general, to include only those that are readily realizable; but the Council is empowered to allow assets, or disallow liabilities, other than those specified in the rule.

The independent accountant is required to state in his report whether:

(1) the balance sheet shows assets in excess of liabilities to an extent not less than the minimum margin of solvency;

(2) (i) the firm is maintaining the required records;

(ii) the balance sheet is in accordance with the records; and

(iii) the balance sheet complies with the disclosure requirements of the rule.

The report will also include any reservations the accountant may put upon his statements. The interesting point here is that the scope of his examination remains a matter for arrangement between the firm and the accountant. There is thus no provision in the rule (as there is in at least one American counterpart) for spot checks; these could only arise by arrangement. If the accountant is prevented, as a result, from carrying out an adequate examination, his duty is then to make whatever reservations are necessary in his report; upon which the Council may require further information and a report from independent accountants appointed by itself, and may suspend the partners of the firm from trading.

It is appreciated that in many cases the accountant who reports on the balance sheet will also assist in its preparation, and there is nothing in the rule to prohibit this.

The 'independent qualified accountant' must be in public practice, independent of the firm reported upon, and a member either of one of the three Institutes of Chartered Accountants in the British Isles or of The Association of Certified and Corporate Accountants.

DECIMALIZATION DEBATE

TO the millions of words which have been spoken and written during the past two years on the advisability of introducing decimal coinage to the United Kingdom, there may now be added the 20,000 of the *Hansard* report of the debate in the House of Commons on Friday of last week on the inconclusive

second reading of the Decimal Coinage Bill presented by Mr William Proudfoot. Although the measure was 'talked out', the occasion gave members a chance to air again individual preferences and prejudices; one positive piece of information was produced by Mr Anthony Barber, Economic Secretary to the Treasury, when he announced that the report (which was expected this year) of the Halsbury Committee now deliberating on the most suitable form of decimal coinage system, will not be available till early in 1963. Thereafter, the Government will have to consider the recommendations made and it will probably be in the light of those dealing with timing and phasing of the operation (with a view to minimizing costs) that the actual date of the changeover will be determined.

In the course of the debate, Mr Proudfoot pointed out that of the 231 currencies in use in the world today, 203 are decimal currencies. There is still time, therefore, for the Government to avoid the dubious distinction of being the last of the stragglers to fall into line with the other great commercial countries; but, as has so often been emphasized, the longer the delay in taking action, the greater will be the transitional costs involved.

This is My Life . . .

by An Industrious Accountant

CHAPTER 123

WE got a shock recently. We found we were losing money – and the discovery all but precipitated a nasty quarrel in the boardroom.

Our practice nowadays is to hold brisk meetings of directors as soon as the trading and profit and loss accounts for the preceding month are available for review. The balance sheet is attached to enable us to see the liquid asset position, and every now and then I hazard a tentative forecast for the forthcoming months. This, however, is rarely a good idea, as the predictions of my operational colleagues about markets or price trends are notoriously fallible. When Prinny, our personnel director, wants to indulge in one-upmanship he blandly produces a six-months'-old forecast; we watch the sales manager wriggling and talk loftily about trade cycles.

Speaking personally, my worry is always the value of our trading stocks. We keep a regular running estimate in each section, based on the value at the last stocktaking, plus the purchases, less the assumed cost price of the sales. This latter figure we obtain by reducing the turnover figure by the forecast profit margin; its accuracy is kept under constant scrutiny by means of sample stock-checks.

But we apparently didn't check often enough. We had let things lapse between mid-January and the end of March, when a full check showed the overall gross profit to be 2½ per cent below the target figure. In addition, expenditure had risen imperceptibly. Wages had increased owing to extra overtime, salaries owing to a revised grading system. Bank overdraft interest had soared suddenly owing to the long-drawn-out construction of our new wing; and maintenance of property had reached an all-time high. The gap between expenses and gross profit had narrowed alarmingly. In the classic phrase, something must be done.

For the first time, our chairman seemed to falter. I suddenly saw him as an old man. He was hesitant; he seemed curiously out of touch. The managing director took over the lead smoothly, referring to an urgent need for revising our sales budgets and profit percentages; new goals and quicker departmental reports were needed. He was incisive and inspiring. The other directors were nodding acquiesence when the deputy-chairman, who had been chafing in his chair, interrupted aggressively. He tends to have quick impulsive reactions of anger in moments of stress.

'We're missing the key factor,' he blustered. 'We need to concentrate on pruning expenditure drastically; cut out these new illuminated display-counters and the enlargement of the cosmetic section . . . and reduce staff at once.' I knew what was coming next. 'Too many unproductive people, typists, accountants . . . just churning out figures . . . what we need is to cut costs.'

I was right. There never yet was an economy-minded executive but felt he had achieved something notable if he sacked a junior book-keeper. I didn't let it pass, perhaps inadvisedly, though choice of reply needed a delicate touch. Pointless to say we were below our staff quota, risky to refer to panic stations; the light touch was indicated; something suave, the Noel Coward approach. 'Better keep the wages clerks anyhow, sir,' I commenced, and he literally snorted at me. The managing director cut in firmly with 'First things first. Suppose we concentrate on increasing the gross profit at this stage.' But the deputy-c.didn't co-operate; again he inveighed against high salaries, and in the ensuing altercation their old enmity was suddenly very apparent.

It was awkward that the chairman couldn't control the quarrel; more awkward that everyone realized his inability to do so. Further, he was at a loss for a directive on policy. If he implements his promise to retire this year we can look out for squalls. King Log has served well enough; neither of the King Storks seem attractive replacements.

Finance and Commerce

Statutory Report

PRESENTATION of a statutory report by New Issue Permanent Investments Ltd provides the opportunity for a reprint that seldom occurs. As stated in the report of the directors, normal practice is for a public company to be formed as a private company and converted into a public company shortly before the issue of a prospectus, thus avoiding the requirement for a statutory meeting. In this case, the company was formed as a public company and it is stated 'your directors welcome the opportunity to report progress'.

The report is undoubtedly interesting for it deals with the beginnings of a company with a popular appeal. One may read in the City columns of public offers for shares, of their tremendous over-subscription – the allotment often by ballot (more often than not attested by a notary public), and of a well-worth-having premium when dealings start on the stock exchange. When the cost of an application for publicly-offered shares is a matter of pence, it is not surprising that some are thirty, forty and fifty times over-subscribed.

It is not surprising either that a public issue of 5*s* Ordinary shares in N.I.P.I. at par was well covered, especially in view of the fact that the prospectus was not advertised. The company's objective was to get in on new share offers and the prospect was supported in its prospectus by the opportunities which had occurred in the previous two years. In some cases, the capital appreciation was moderate: in others fortune-making.

NEW ISSUE PERMANENT INVESTMENTS LIMITED

STATUTORY REPORT

No. of Company: 713348

THE COMPANIES ACT 1948

REPORT

(Pursuant to Section 130 (3) of the Companies Act 1948)

of NEW ISSUE PERMANENT INVESTMENTS LIMITED

1. The total number of shares allotted is 400,000.

2. Of the shares so allotted 400,000 have been allotted on the footing that they are to be paid for in cash on the terms in the Prospectus, and 5s. has already been paid up on each share.

3. The total amount received by the Company in respect of the 400,000 shares issued wholly for cash is £100,000.

4. The following are the Receipts and Payments of the Company to within seven days of the date of this Report:—

Particulars of Receipts

	£ s. d.	£ s. d.
Application money for Shares	112,242 10 0	
Less application money for Shares returned	12,242 10 0	
		100,000 0 0
Proceeds of Sale of Treasury Bills		34,801 11 8
Repayment of Loans to Discount Houses		10,000 0 0
Sale of Quoted Investments (Cost £8,950)		8,973 17 8
Interest received—gross		186 3 8
Interest received—nett		104 14 3
Sundry Receipts		3 0
		£154,066 10 3

Particulars of Payments

	£ s. d.	£ s. d.
Purchase of Treasury Bills		34,668 15 5
Loans to Discount Houses		18,500 0 0
Loan to Local Authority		40,000 0 0
Purchase of Quoted Investments		58,588 11 7
Formation Expenses:		
Stamp Duty & Fees	533 5 0	
Legal Fees	106 0 0	
Printing	124 4 2	
		763 9 2
Issue Expenses:		
Brokerage	621 8 9	
Legal Fees	106 0 0	
Printing	337 19 5	
Audit	12 12 0	
Publicity	10 10 0	
Addressing	2 2 0	
		1,090 12 2
Bank Charges		1 10 0
Insurance		11 0 0
Balance on Current Account		442 11 11
		£154,066 10 3

5. The following is an Account or Estimate of the Preliminary Expenses of the Company.

	£ s. d.
Stamp Duty and Fees	533 5 0
Legal Fees	106 0 0
Printing	124 4 2
Statutory Books and Signwriting	6 15 11
	£770 5 1

6. The following are the Names, Addresses and Descriptions of the Directors, Auditors and Secretaries of the Company.

DIRECTORS			
Christian Names	*Surname*	*Address*	*Description*
Oliver Richard	Jessel	The Grange, Marden, Kent.	Chairman of the London, Australian & General Exploration Company Limited.
Ralph Frederick	Prior	9, Wemyss Gardens, Wollaton Park, Nottingham.	Chartered Accountant, Chairman of Algrey Holdings Limited.
David Ledgard	Shaw	2, Stanhope Gardens, London, S.W.7.	Chartered Accountant.
Gavin	Sorrell	10 Oakley Gardens, London, S.W.3.	Member of The Stock Exchange, London.
John Christopher	Sorrell	69, Princes Gate Mews, London, S.W.7.	Member of The Stock Exchange, London.
John William Bowring	Wimble	Bush Farm, North Chailey, Sussex.	Director of Algrey Holdings Ltd.

AUDITORS		
Names	*Address*	*Description*
Wood, Albery & Co.	40/42, Copthall Avenue, London, E.C.2.	Chartered Accountants.
SECRETARIES		
Jessel, Whitehead & Co. Limited.	5, Fenchurch Street, London, E.C.3.	Secretaries and Registrars.

7. No contracts are to be submitted to the meeting for modification and approval.

WE HERBEY CERTIFY that this Report is correct:

O. R. JESSEL
J. W. B. WIMBLE } *Directors.*

AUDITORS' REPORT

WE HEREBY CERTIFY that so much of this Report as relates to the shares allotted by the Company and to the cash received in respect of such Shares and to the receipts and payments of the Company on Capital Account is correct.

WOOD, ALBERY & CO.,
Chartered Accountants

40/42, COPTHALL AVENUE.
LONDON E.C.3.

6th April, 1962.

New Issue Rush

The company was registered on January 19th last, authorized capital being £100,000, principally to apply for new shares made available by way of offers for sale, placings, tenders and introductions and to hold such allotments as might be obtained as long-term investment. It was also to buy for long-term, shares temporarily depressed by rights issues, and to endeavour to obtain shareholdings in companies which proposed to seek a quotation in the near future.

It was pointed out that the desire to give a share a successful start often meant an initially higher yield than on comparable shares; that purchases were normally free of 2 per cent stamp duty; that brokerage was reduced to a minimum when 'rights' were bought in the market in the form of nil paid allotment letters; and that companies seeking new money were likely to be progressive.

The six directors were all engaged in the management of investment funds as part of their day-to-day business; two were London stockbrokers; one a chartered accountant.

The company obtained a certificate to commence business on February 2nd and ran right into one of the most active periods for new share offers that has been seen for a long time. The pre-Budget rush, it was called.

By April 6th, investments had been acquired in twenty-one companies and included Imperial Chemical Industries 6½ per cent Unsecured Convertible Loan Stock and John Summers 6½ per cent Convertible Second Debenture Stock. They cost £57,338 and their middle market valuation on April 6th was £60,078. The company's own 5*s* shares have yet to be officially quoted but stock exchange dealings have taken place under Rule 163 (2) between 5*s* 1½*d* and 5*s* 7½*d* the directors report.

The board, obviously with the effect of the capital gains tax in mind, gives its view that the Budget has

improved the company's prospects. 'It seems probable that a larger proportion of new issues will now be available to long-term investors, and the terms might well be rather more attractive.'

They state their intention to raise further capital from time to time, and the statutory meeting on May 1st passed a resolution to create a further 1,600,000 5*s* shares 'to be offered for issue at the discretion of the directors'.

There was no prospect of a dividend in the prospectus for the financial period to December 31st, 1962, but 'reasonable distributions' are anticipated thereafter. It will be interesting to see how it all works out. An early stock exchange quotation for the shares is being sought.

Norton Motor Cycles

IT may reasonably be assumed from the comments in our issue of April 21st on the report and accounts of Associated Motor Cycles Ltd that all the products of the group – which includes Norton, Matchless, A.J.S., James and Francis Barnett – are distributed in the U.S.A. by the American subsidiary. The Indian Company, which last year had 'a very poor year', and in addition to a loss of £113,000, was left with 'considerable stocks of motor cycles'.

We have been informed, however, that Norton motor cycles are distributed in the United States through Berliner Motor Corporation and that orders this year have been twice as many as for the complete year to August 31st, 1961.

Hartley Baird

IT so happened that on the morning of the day of the annual general meeting of Hartley Baird Ltd (whose accounts we reprinted on March 31st) an announcement appeared in the Press that Camp Bird had sold its 80 per cent interest in the company. But the buyer was not identified.

An obvious question for a shareholder at the meeting therefore was. Who now controlled the company? Mr A. W. M. Hartley, the chairman, refused to give the information. The announcement, he said, would be made in due course. The buyer is an investment trust buying on behalf of clients.

Another interesting question of an accountancy nature was from a shareholder who wanted to know why the auditors should state: 'The freehold land

CITY NOTES

THE pace at which the equity markets cracked off after the Budget now seems to be telling. Business has tended to dry up and industrial company evidence – of at best a slowing down on the rate of growth, and at worst of a significant down-turn in earnings – has made the equity investor think again about becoming too venturesome.

While the Treasury economic line is to rely on an anticipated increase in demand later in the year to take up the industrial production slack, there is little for the share market to go for in terms of early growth in industrial earnings. The Treasury does not seem in any hurry to urge the Chancellor towards any more vigorous re-expansion of the economy.

In the stock-market, new issue and take-over developments are now tending to attract more interest than company results and economic trends. The Treasury's provision of another 'tap' stock for the gilt-edged market was well received and technically well timed.

The call for industrial new money has, this week, brought the Ranks Hovis McDougall combine to the market with loan stock and Ordinary share issues involving well over £11 million. Other new industrial capital calls are said to be in the offing with possibly another banking new issue to follow the Lloyds Bank rights offer. An active new issue market will keep stock-market interest lively.

RATES AND PRICES

Closing prices, Wednesday, May 9th, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 23, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

Mar. 2	£5	10*s*	11·26*d*%	April 6	£4	7*s*	4·62*d*%
Mar. 9	£5	0*s*	5·89*d*%	April 13	£4	6*s*	8·54*d*%
Mar. 16	£4	17*s*	7·57*d*%	April 19	£4	5*s*	4·31*d*%
Mar. 23	£4	9*s*	0·47*d*%	April 27	£4	1*s*	0·54*d*%
Mar. 30	£4	8*s*	1·16*d*%	May 4	£4	1*s*	9·72*d*%

Money Rates

Day to day	2⅞–3⅞%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	4¼–4$\frac{5}{16}$%
Fine Trade Bills		3 months	4¼–4$\frac{5}{16}$%
3 months	5½–6%	4 months	4¼–4$\frac{5}{16}$%
4 months	5½–6%	6 months	4¼–4⅜%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·81$\frac{5}{16}$–⅜	Frankfurt	11·25–¼
Montreal	3·04–¼	Milan	1745¾–6¼
Amsterdam	10·10¾–·11	Oslo	20·05–½
Brussels	139·93¼–¾	Paris	13·78⅜–⅝
Copenhagen	19·39–½	Zürich	12·19⅝–⅞

Gilt-edged

Consols 4%	63⅝	Funding 3% 59–69	83$\frac{15}{16}$
Consols 2½%	40$\frac{15}{16}$	Savings 3% 60–70	80⅞
Conv'sion 5¼% 1974	91$\frac{7}{16}$xd	Savings 3% 65–75	71⅞
Conversion 5% 1971	92½	Savings 2½% 64–67	87$\frac{13}{16}$
Conversion 3½% 1969	86$\frac{11}{16}$	Treasury 5½% 2008–12	90
Conversion 3½%	55$\frac{13}{16}$	Treasury 5% 86–89	83$\frac{15}{16}$
Exchequer 5½% 1966	100$\frac{3}{16}$	Treasury 3½% 77–80	70⅜xd
Funding 5½% 82–84	93⅛	Treasury 3½% 79–81	70⅝
Funding 4% 60–90	88$\frac{3}{16}$	Treasury 2½%	40½
Funding 3½% 99–04	61⅞	Victory 4%	97
Funding 3% 66–68	86$\frac{7}{16}$	War Loan 3½	55⅝

and buildings of Hartley Baird Ltd have been out of full operational use for several years and we can express no opinion as to the value of these items.' The shareholder maintained that property values, especially in these days, were ascertainable. Possibly he had noticed the stream of property share offers to the public backed by valuations.

Whatever may have prompted the auditors' qualification of their report, there can be no doubt that auditors are not valuers, as their representative at the meeting emphasized. The properties might be worth book value, or more, or less.

The shareholder hoped that before the next meeting was held, the properties would either have been sold or valued. The chairman thought the asset could command its book value at least; possibly more.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Specialism in the Profession

SIR, – In *The Financial Times* of May 2nd, 1962, the following letter was published:

Functions of Management Consultants

SIR, – Mr E. F. Stanton (April 25) refers to "the present anomalous position of management consultancy" and the anxiety of its members to achieve professional status.

I should have thought that the body longest established and already well qualified in this field was one which achieved professional status long ago. I refer, of course, to The Institute of Chartered Accountants.

One has only to watch the progress made in recent years by the Institute, through its training of articled clerks in management accountancy, budgetary control and method study to realize that the role of the professional accountant as a business adviser has changed dramatically in recent years. If the Institute allows this, its birthright, to be snatched from it, it will have only itself to blame.

The danger to management is in regarding the consultant as the universal panacea for troubles in a sick company, thereby confusing knowledge with ability. Most of us who have reached fairly senior positions in our companies are only too painfully aware that we acquire knowledge at a greater rate than our ability to exploit it to the full. The stumbling block is, of course, the human factor at all levels in the management chain.

Portsmouth. MANAGING DIRECTOR.

May I suggest that this is further evidence that the Institute should seriously consider the advantages of recognizing the development of the management consultancy function as a form of specialism suitable for 'post-gradute' studies by chartered accountants under the guidance of their own professional body. If this were encouraged, it seems to be that the remarks of 'Managing Director' quoted above would have even greater force.

Yours faithfully,

London EC2. R. S. WALDRON.

Annuity Problem

SIR, – I wonder if any of your readers can help me on the following point.

Under the terms of her late husband's will F. receives an annuity of £500 per annum 'free of tax'. This has been paid for the last thirty years and the trustees feel that it is desirable to close the estate. This could be done by the purchase of an annuity by the trustees but under section 8 paragraph (*c*), Finance Act, 1956, the whole of the annuity payments would be considered income and liable to tax. It has been suggested that there is nothing in the Act to prevent F. selling her annuity to the trustees for a lump sum (one presumes the consent of all the ultimate beneficiaries is necessary and obtainable) and thereupon investing the sum so received in the purchase of an annuity. F. is now over 80 years of age and the new annuity would consist so largely of capital that her net income would be substantially increased.

This seems to me to be a perfectly legal way of increasing F.'s spendable income and placing her more in the position which the will of 1932 envisaged.

I shall be most grateful for any help or advice on this point.

Yours faithfully,

Beckenham, Kent. GILBERT DYER.

How to Decimalize the Currency

SIR, – I agree with J. R. Speed, in your April 28th issue, that the most convenient unit of decimalized money is 5*s*, divided into one hundred parts. I advocated this twenty years ago, with slight differences.

I do not see, for instance, the necessity for a new name 'Royal' for a 5*s* piece. What is wrong with its present name, the Crown?

Also, I don't think we need call the units – cents. Why not keep the word penny? In value, the new penny would be roughly equivalent to the old halfpenny with twenty to the shilling and fifty to the half-crown. I should call in the present pennies and half-pennies (to everybody's relief) and reissue the new pennies in the size of the old farthing.

Yours faithfully,

London N12. ARNOLD LEVER, F.C.A.

Banquet in Guildhall

The Institute of Chartered Accountants in England and Wales held a banquet in Guildhall, London, on May 3rd. The President, Mr P. F. Granger, F.C.A., was in the chair and the principal guests included the Lord Mayor and Sheriffs, the Rt Hon. the Viscount Kilmuir, G.C.V.O., Lord High Chancellor of England, and the Rt Hon. John Boyd-Carpenter, M.P., Minister of Pensions and National Insurance. About 600 members and guests attended.

GUESTS

The full list of guests is as follows:

Messrs C. Anderson (*Editor, 'Investors Chronicle'*); R. W. Bankes, C.B.E.; P. Bareau (*Editor, 'The Statist'*); Sir Eric Carpenter, O.B.E. (*President, The Institute of Bankers and Chairman, Williams Deacon's Bank Ltd*); Messrs L. F. Cheyney, O.B.E. (*Secretary, The Institute of Municipal Treasurers and Accountants*); J. M. Clarke, C.B.E. (*Inspector-General of Companies, Companies Liquidation and Bankruptcy, Board of Trade*); W. M. Clarke (*City Editor, 'The Times'*); H. A. L. Cockerell (*Secretary, The Chartered Insurance Institute*); Sir George Coldstream, K.C.B., Q.C. (*Clerk of the Crown in Chancery and Permanent Secretary to the Lord Chancellor*); Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor-General*); Mr K. R. Cork, C.C.; Sir Cecil Crabbe (*Chief Registrar of Friendly Societies and Industrial Assurance Commissioner*).

Messrs P. C. Davie (*The Remembrancer*); A. E. Dawson (*President, The Institute of Chartered Accountants in Ireland*); A. L. de Bruyne (*Director, Nederlands Instituut van Accountants*); Mrs Olive G. Deer, J.P. (*The Rt Hon. the Chairman of the London County Council*); Alderman and Sheriff J. L. P. Denny, M.C.; Messrs E. H. K. Dibden (*Secretary, University of London Appointments Board*); A. J. Driver (*President, The Law Society*); Colin Duncan; H. Eason (*Secretary, The Institute of Bankers*); E. D. Foster (*Editor, 'The Director'*); Sir Robert Fraser, O.B.E. (*Director-General, Independent Television Authority*); Messrs J. French (*London Financial Editor, 'The Scotsman'*); R. Fry (*Financial Editor, 'The Guardian'*).

Mr J. W. Gauntlett; Miss B. Anne Godwin, O.B.E. (*Chairman, Trades Union Congress*); Brigadier R. F. S. Gooch, D.S.O., M.C. (*Private Secretary to the Lord Mayor*); Councillor Harold Gould, J.P. (*Mayor of Holborn*); The Rt Hon. William Grant, Q.C., M.P. (*Lord Advocate*); The Rt Hon. J. Grimond, M.P.; Messrs J. H. Gunlake, C.B.E. (*President, The Institute of Actuaries*); G. H. Heywood (*Senior Vice-President, The Royal Institution of Chartered Surveyors*); Lieut-Col D. V. Hill (*Steward, Christ Church, Oxford*); Mr F. M. W. Hird (*President, The Institute of Cost and Works Accountants*); Sir John Hobson, O.B.E., T.D., Q.C., M.P. (*Solicitor-General*); Mr C. B. Hodgson (*New Zealand Society of Accountants*); Sir Harold G. Howitt, G.B.E., D.S.O., M.C. (*Past President of the Institute*); Mr Percy F. Hughes.

Messrs A. L. Imrie, C.B.E. (*President, The Institute of Municipal Treasurers and Accountants*); A. G. Jenkins (*City Editor (Thomson Newspapers)*); The Rt Hon. Lord Jenkins (*Lord of Appeal*); Sir Russell Kettle (*Past President of the Institute*); Sir Norman Kipping, K.B.E., J.P. (*Director-General, The Federation of British Industries*); Sir Joseph Latham, C B.E.; Messrs G. Lawrence, Q.C. (*Chairman, General Council of the Bar*); C. F. Lewis (*Chief Commoner*); Alderman Sir Denys Lowson, Bt (*President, The Chartered Institute of Secretaries*); Sir Thomas Lund, C.B.E. (*Secretary, The Law Society*); Mr E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); Sir Roger Makins, G.C.B., G.C.M.G. (*Chairman, United Kingdom Atomic Energy Authority*); Messrs M. Masson (*Vice-President, Collège National des Experts Comptables de Belgique*); T. G. Matheson (*Chairman, The Association of Scottish Chartered Accountants in London*); Sir Theobald Mathew, K.B.E., M.C. (*Director of Public Prosecutions*); The Very Reverend W. R. Matthews, C.H., K.C.V.O., D.D. (*The Dean of St Paul's*); Messrs L. W. Millett, D.F.C. (*Assistant Secretary, The Institute of Cost and Works Accountants*); P. W. Milligan (*Chairman, Lloyd's*); H. P. J. Milmo, Q.C.; The Lord Milne (*Master, The Grocers' Company*).

Sir John N. Nicholson, Bt, C.I.E. (*Chairman, Martins Bank Ltd*); Mr P. S. Noble (*Vice-Chancellor, University of London*); Sir Edward Norman (*Chief Inspector of Taxes*); Sir Charles Norton, M.B.E., M.C.; Messrs W. Stuart Orr (*Secretary, The Institute of Chartered Accountants in Ireland*); F. C. Osbourn, M.B.E. (*Secretary, The Association of Certified and Corporate Accountants*); Alderman E. Ewart Pearce, M.B.E., J.P. (*The Rt Hon. The Lord Mayor of Cardiff*); Mr J. F. Phillips, O.B.E. (*Secretary, The Chartered Institute of Secretaries*); Sir Richard Powell, K.C.B., K.B.E., C.M.G. (*Permanent Secretary, Board of Trade*); Mr L. B. Prince, C.C.; The Rt Hon. Lord Radcliffe, G.B.E. (*Lord of Appeal*); Mr Sheriff C. S. P. Rawson; Messrs D. Renton, T.D., Q.C., M.P. (*Minister of State, Home Office*); F. M. Richard (*President, Conseil Supérieur de l'Ordre des Experts Comptables et des Comptables Agréés*).

Dame Evelyn Sharp, G.B.E. (*Permanent Secretary, Ministry of Housing and Local Government*); The Rt Hon. Sir Jocelyn Simon (*President, Probate, Divorce and Admiralty Division of the High Court*); The Viscount Simon, C.M.G. (*Chairman, Port of London Authority*); Sir Basil Smallpeice, K.C.V.O.; Dame Mary Smieton, D.B.E. (*Permanent Secretary, Ministry of Education*); Messrs C. R. Sopwith (*The Public Trustee*); Edgar Spencer (*President, The Association of Certified and Corporate Accountants*); J. W. S. Sprigge (*Under-Secretary, The Royal Institution of Chartered Surveyors*); R. J. W. Stacy, C.B. (*Under-Secretary, Insurance and Companies Department and Bankruptcy Department, Board of Trade*); T. H. Starling (*Joint Council of the Societies of Chartered Accountants of South Africa*); James C. Stewart (*President, The Institute of Chartered Accountants of Scotland*); J. Harold Stewart (*Past President, American Institute of Certified Public Accountants*); D. A. Stirling (*Chairman, Westminster Bank Ltd*); Deputy O. G. Sunderland; Mr J. W. Symonds (*President, The Institute of Arbitrators*).

Messrs J. Thomson, T.D., D.L. (*Chairman, Barclays Bank Ltd*); H. C. Treffers (*President, Nederlands Instituut van Accountants*); D. B. Tregoning, T.D. (*President, The Chartered Insurance Institute*); Arthur E. Webb (*Editor, 'The Accountant'*); F. Whitmore (*City Editor, 'The Daily Telegraph'*); Dr J. M. Whittaker, F.R.S. (*Vice-Chancellor, University of Sheffield*); Mr J. M. Williams; together with Past-Presidents, members of the Council and officials of the Institute.

CIVIC TOAST

The toast of "The Right Honourable the Lord Mayor, the Corporation of London and the Sheriffs' was proposed by Sir Thomas Robson, M.B.E., F.C.A., Senior Past President of the Institute, who said in the course of his speech:

The large company here assembled demands that the warmest thanks be expressed to my Lord Mayor, Alderman and Sheriff Denny and Mr Sheriff Lawson and to the City Corporation for the privilege accorded to us tonight of dining within the hallowed walls of Guildhall, and to you, my Lord Mayor, and to the Sheriffs, for the particular privilege we enjoy in having your personal presence with us here. (*Hear, Hear.*)

I am told, my Lord Mayor, that the first of your predecessors held office for over a score of years. That was over 750 years ago when, I imagine, the tempo of mayoral life was somewhat slower than now. I cannot believe that even your iron constitution could withstand such a number of tours of duty today with the strains which are now imposed by your great office.

Service and Sacrifice

There is undoubted satisfaction in a piece of public work well done without monetary recompense. It pleases him that gives as well as the service in which it is given, but no such service is given without sacrifice. Those who are assembled here this evening are glad to know that there are still men, including many of their own number who are as ready as our Lord Mayor, Sheriffs, and members of the City Corporation, Parliament, and even, I should add, the Council of the Institute of Chartered Accountants, to give of their time and energies and of their leisure to help the common good.

Our Institute, and by our Institute – we have some Scottish, Irish and American Institute members here – I mean The Institute of Chartered Accountants in England and Wales, is not only imbued with a sense of pride because its headquarters lie within the heart of the City, and indeed, near to this Guildhall in which democratic government has continued as an unbroken tradition for over a thousand years, but also because the Institute's own members have rendered distinguished service on the Court of Common Council and other forms of public service in the City and elsewhere. And more than one such member has attained to the high office which you, my Lord Mayor, now adorn, the latest of them being Sir Harold Gillett, Lord Mayor in 1958, who appears here this evening – I am not sure in what capacity, either as a former Lord Mayor or in the humbler capacity of Member of the Council of the Institute. (*Applause.*)

I believe that members of the chartered accountants' profession have much to contribute in the way of skill and knowledge, experience and trained judgment, to the solution of public problems of the day, and we are delighted to find them serving on the Corporation and helping to uphold the integrity of City life. Let us see to it that we take every reasonable opportunity of making such a contribution as a modest return for the generosity of the Corporation which has been extended for so many years to our Institute.

Sir Thomas Robson

There is no room for complacency in public life, nor in the accountancy profession. There is nothing more irritating than self-satisfaction in others, whoever they are (*laughter*). We must avoid it like the plague and never be so pleased with our own achievements that we become like the clergyman who was giving an account of his own past glories over others to a fellow minister. At last the sense of Christian charity and courtesy of his companion could bear no more. 'Aye, James', he said, 'the Lord knows you did your best for Him in your way as I have done my best for Him in His'. (*Laughter.*)

Well, ladies and gentlemen, let that be a lesson for those of us who hold positions of responsibility – and who here does not hold a position of responsibility? We cannot expect long-term success in any such position unless we are prepared to put into it at least as much as we take out. The City of London will not hold its position of financial leadership in Western Europe under the conditions developing in the Common Market and Free Trade Area unless its citizens are prepared to make sacrifices of time and leisure which are imposed on you, my lord Mayor and Sheriffs, by the duties of your great offices. The accountancy profession recognizes with gratitude the living example which you and your colleagues continuously and unconsciously set before us, and we will strive to copy it. (*Applause.*)

LORD MAYOR'S RESPONSE

In his response, the Lord Mayor said:

I would like to thank you, Sir Thomas, for the very kindly and felicitous way in which you have proposed this very ancient toast.

'The City of London shall have all the old liberties and customs which it used to have'. You may think that that is a quotation from Sir Edwin Herbert's Royal Commission on Greater London Government – one of that Commission's members is here tonight – but in fact that quotation is slightly older. It comes from the Magna Charta signed nearly seven and a half centuries ago, and I like to think that history is repeating itself once again, and that the ancient privileges of the City are being left relatively untouched.

But this City has not survived during such a very long period of time by reason of its treasures and position. We all know that Ethelred the Unready's cowardly policy of trying to buy peace at any price from the Danes met with the fate it deserved. Down through the centuries the City has built up a reputation for trust and integrity because the livery companies were able, from the earliest days, to enforce the highest standards on their members.

With new speeds of communication the world has become a natural economic unit for commerce and industry. Most of us hope that sanity will prevail amongst the human race and that we will gradually move to one world. I rather doubt if we in this country are really moving fast enough in that direction. We certainly have one of the highest standards of living in the world but our people don't seem to be really contented with that. They certainly don't accept that ancient Chinese proverb that you all know so well: 'I was angry because I had no shoes until I met a man with no feet'. With our standard of living no one should steal or defraud or kill, yet, despite this, greed does something to produce a situation in which the greater the prosperity, the greater the amount of crime. But alongside this crime wave there are most heartening signs of a totally different spirit amongst a great number of our young people.

I feel that many aspects of British life need a new impetus. In the financial world great responsibility rests on this Institute because directors of companies rely heavily on the advice your members give over the financial implications of many of their actions.

I firmly believe that the Institute of Chartered Accountants plays an immensely important part in the maintenance of the very highest standards of business integrity. Our

The Lord Mayor

country's present economic performance is certainly not the best of which we are capable but I greatly hope that every member of this Institute will do everything possible to stimulate far higher productivity at this vital moment in our history. (*Applause.*)

TOAST TO THE INSTITUTE

Proposing the toast of "The Institute of Chartered Accountants in England and Wales', Viscount Kilmuir, the Lord Chancellor, said he had a host of happy memories of his contacts with members of the accountancy profession while he was at the Bar and he remembered the many valued friendships which these contacts had given him.

After referring to the sort of work and conditions with which members were concerned in the early years following the foundation of the Institute, he went on:

I doubt whether even your founding fathers could have prophesied the manner of the development of industry and commerce, the increasing diversity and complexity of all forms of social affairs and economic activities, and the result of two world wars in a generation which were to test and, I believe, to justify their stable foundation for your profession.

Among the many, there seem to be four main essentials of these changes which particularly affected your profession. I think the first is that since the end of the nineteenth century, limited liability companies became recognized as the only practical way of carrying on large private enterprise business. The modernity of this change I can tell you from my own personal experience, for it was only in about 1944 that I, as Solicitor-General, induced the House of Lords to accept a decision in a tax case. It was that of *Gilberts v. Ferguson*, 1881. There is no doubt that in *Gilberts v. Ferguson* the Courts were still looking upon a company as an enlarged partnership. But it was soon recognized that the most important form of protection for shareholders and the public consisted in satisfactory requirements for books, accounts and the annual presentation of a balance sheet and profit and loss account which an independent auditor must report to the shareholders and the public – whether the accounts were both true and fair. And the utter integrity required made the accountant a pillar of respectability instead of a concomitant of insolvency.

The second point which I venture to choose is the fact that we have had two total wars in our lifetime and apart from the vast numbers of lives lost and the social changes which have followed, there is a further aspect. In 1914, for the first time in our history, an easy-going and highly individualistic democracy had to organize itself for war, and this meant an examination, a calculation, of the national resources in order that they could all be used to produce victory. And I would like to say most sincerely, as a member of Sir Winston Churchill's Government during the second war that had again to consider these points, how much we owe to members of your profession who enabled us to examine, to perceive our resources, and try to use them for the best benefit of the country.

The third item which I have in mind is taxation; and as one who has had varying responsibility, whether on the back benches, on the front Opposition bench or as a Minister in Parliament, for some thirty Finance Acts, I ought to be very quiet about it. I ought to remember the unfortunate American citizen who looked at his tax demand and said: 'Our forefathers fought against taxation without representation – but look what taxation with representation can do'. (*Laughter.*) I simply note two clear and obvious results. The first is that no major decision of business policy today can be made without largely deliberating upon the incidence of taxation which it entails. The second is that the whole machinery of taxation would rapidly, hurriedly and immediately collapse into chaos without the services of chartered accountants.

Extending Activities

The fourth point is the extension of your activities. I think it is one of the most notable developments, and again hardly foreseen by those admirable petitioners of 1880, that so many of you who qualify should go into industry and commerce and take on so many and so varied jobs. I need only mention your success in management accounting and cost accounting to illustrate fully what I have in mind. And equally notable are the members of your profession who have become part-time directors in various firms, not as specialists, but bringing to the firm their knowledge, experience and judgment in financial and business matters.

Mr President, the explanation usually given for the relative youth of your profession is that the need for it was only made manifest by the nineteenth century developments after the industrial revolution. It has often been said that young men – and in this context as in every sensible context 'young men' embrace 'young women' (*Laughter*) – see visions. I venture to suggest to this great company that the second half of this mad century of ours requires visionaries who produce achievements. When we consider that your membership has increased from 599 in 1880 to over 35,000, including the valued influx of Incorporated Accountants, and that you have helped so much to establish your profession in the British Commonwealth and the United States, then indeed you have a large and important holding in the stock of Practical Visionaries Unlimited. (*Applause.*)

PRESIDENT'S REPLY

In the course of his reply, the President said:

I suppose there is no greater honour can befall a professional man than to stand here on historic soil and reply to the toast of his Institute on an occasion such as this. (*Hear, hear.*) It is a peculiar pleasure, too – and one granted to very few of Her Majesty's subjects – to have the last word when the Lord Chancellor has spoken. (*Laughter.*) It was very pleasant to hear such kindly remarks from him because there were earlier occasions when the law and its representatives were not quite so polite. I have only to refer to the remarks of Mr Justice Quain at Bristol Assizes on August 18th, 1875. He said that the trustee in a particular bankruptcy case was a professional accountant and was an incom-

petent busybody who wasted the time of the court. He compared accountants generally, debt collectors and others to detriment with solicitors, 'the latter being gentlemen, members of a respectable body'. It is also on record that in times of stress such as in 1866 when a very celebrated house called Overend Gurney failed and Bank rate – shades of today – went up to ten per cent, no true citizen of the City of London would be seen talking to an accountant. (*Laughter.*)

Such is the strange mobility of human fortune, however, that in a relatively few years time all this seems to have changed and on May 29th, 1894, there was a glittering assembly of guests at Moorgate Place and amongst them Lord Randolph Churchill who proposed the toast of The Institute. He paid tribute to the way two members – he referred to them as Waterhouse and Whinney – whose names are commemorated in their firms known all over the world today – had examined the accounts of the Ordnance Department. It took them four months, which he thought was pretty quick, to complete their long, lucid and valuable report; and the Government, unlike today when we make recommendations, accepted all their recommendations. (*Laughter and applause.*)

Now one can go on looking at these matters over the years but I do not propose to do that. We have somewhere in the region of 35,000 members and there is an intake of some 3,000 articled clerks each year. Furthermore, as and when these young men and young women qualify, they don't seem to find any difficulty in finding a job. So it looks as if the sort of training we give is one which is of some benefit to the community.

Advice to the Government

It is our privilege to assist the Government with willing advice on matters which fall within our competence as members of the Institute, whether we are in practice or in industry, and this year has seen no lack of calls made on us. I mention this because we recognize and welcome the obligations to the State which our status as an Institute lays upon us. Service to the community must be an essential essence of our Institute. 'All our past proclaims our future', and I for one have little doubt that there will be new horizons emerging through the development of the computer or, if you will, the application of machinery to the record, the collection and use of business information and its interpretation for management, shareholders and the State, and the assurance that the information is accurate within the limits of a particular case. Certainly if our members, whatever they are doing, look at the future they are not going to find life dull.

Now these are days when human organizations tend to get bigger and bigger and there is a constant risk that those who labour at the perimeter may get overlooked by those who work at the centre. It is one of the paradoxes of modern life that while communications are speeded up, likewise has the growth of business organizations, with the resultant risk of neglect of the individual as an individual. I hope our members realize that the Council has this particular point in mind. No profession worthy of its name can ignore it, but it will – and this is not exclusive to us – be a problem of the future. (*Applause.*)

THE GUESTS

The toast of 'The Guests' was proposed by the Vice-President, Mr P. F. Carpenter. They were, he said, honoured by the presence of a large number of distinguished people. After thanking the Lord Mayor and Sheriffs for their presence, the Lord Chancellor and other members of the judiciary, and mentioning particularly the Lord Mayor of Cardiff, Alderman Ewart-Pearce, with the remark that this was the first time they had been privileged to entertain the civic heads of the two cities at the same time, Mr Carpenter said:

Mr Boyd Carpenter

It would perhaps be invidious to mention by name the many representatives of universities, industry, commerce, the Civil Service, banking, the Press and other professions, but they are all both individually and collectively very welcome. I would, however, like to welcome the representatives of other accountants' bodies, in particular those from overseas. We are delighted to have with us leaders of the profession from the United States, South Africa, New Zealand, Belgium, France and Holland, and we thank them for sparing time to be with us tonight. (*Applause.*) Many of them are, in fact, very old friends of ours and we are delighted to see them again. I am not forgetting the representatives of the Scottish and Irish Institutes for it is always a very great pleasure to see them. (*Applause.*)

RESPONSE TO 'THE GUESTS'

The response to the toast of 'The Guests' was made by Mr Boyd-Carpenter in a highly entertaining and witty speech, typical of which is the following:

When I was a child my parents, who understood me better, I think, than was altogether comfortable for me, tried to introduce an element of rudimentary good manners by telling me that if I did not say 'Thank you' nicely when I had been entertained I would never be asked again. That memory has remained very firmly with me. Indeed, not long ago it lead me somewhat astray. In the course of my speech I overlooked, for a moment, the fact that we were attending a quincentenary dinner, the next of which would occur in one hundred years time. I think I exaggerated somewhat the effects of my dynamic colleague, Mr Enoch Powell in the Health Service, when I ended the speech in a passionate appeal to be asked to the next dinner. (*Laughter.*) It was perhaps an error of the same character as that which is recalled by the Coronation of His very late Majesty, King George III when almost everything went wrong. Finally, the much-tried monarch complained to the Earl Marshal of the day who apologized and said in careful terms that he would ensure that everything would be right on the next occasion. (*Laughter.*) The King had the laugh on the Earl Marshal for he lived for another sixty years. It is my duty, on behalf of all, to thank you for a most agreeable evening spent in most agreeable company. (*Applause.*)

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

EIGHTY-FIRST ANNUAL MEETING

The eighty-first annual meeting of The Institute of Chartered Accountants in England and Wales was held in the Hall of the Chartered Insurance Institute, Aldermanbury, London, on May 3rd. The President, Mr P. F. Granger, F.C.A., was in the chair. With him on the platform were: the Vice-President, Mr P. F. Carpenter, F.C.A.; Sir Thomas Robson, M.B.E., F.C.A., Senior Past President; Mr W. L. Barrows, LL.D., F.C.A., Sir William Carrington, F.C.A., Mr D. V. House, F.C.A., Mr W. H. Lawson, C.B.E., B.A., F.C.A., and Mr S. J. Pears, F.C.A., Past Presidents; Mr A. S. MacIver, C.B.E., M.C., B.A., Secretary, and Mr F. M. Wilkinson, F.C.A., Deputy Secretary.

ADDRESS BY THE PRESIDENT

Addressing the meeting, the President said:

The 1961 report and accounts have been in your hands for a little time and the report reviews in some detail the activities of the year. However, before I move the adoption of the report and accounts, I would like to use the privilege which I have as President to draw your attention to various matters which I think are important.

Mr P. F. Granger

TECHNICAL ACTIVITIES

Statements on Auditing. Twenty years ago the Council broke away from all previous tradition by commencing its series of Recommendations on Accounting Principles. Since that time a great many technical documents have been issued by the Council for the guidance of members. In this technical field the Council created a new landmark last August when it issued the first of a series of Statements on Auditing. The No. 1 Statement dealt with *General Principles of Auditing* and the No. 2 Statement, issued last March, dealt with *Stock-in-trade and Work in Progress*. With the invaluable assistance of the Taxation and Research Committee further statements on auditing are in preparation, but it will take time for them to be issued.

I commend these new statements to you for your earnest consideration. The Council regards them as most significant additions to the range of important technical documents emanating from the Institute. The No. 1 and No. 2 Statements have been issued in quantity to the students' societies for distribution to all their student members.

I must, however, emphasize that in issuing these auditing statements the Council is doing no more than offer guidance to members. It must still remain with the individual auditor to decide, in the circumstances of each particular audit, the nature and extent of the tests and examinations he should make in order to enable him to discharge his responsibility. In doing so he must rely on his professional training, experience, skill and judgment. It is not for me or the Council to tell him what he should do.

Terms used in published accounts. We are issuing as part of a supplement to the *Members' Handbook*, a statement entitled *Terms used in Published Accounts of Limited Companies*. It is intended for reference purposes as and when the occasion arises. I think you will find that it will come to be in frequent use as a means of helping you to decide what would be the most suitable description for particular items in accounts which you are preparing or auditing.

Here again, however, I must emphasize that the terms suggested by the Council are suggestions only and will not necessarily be appropriate in the circumstances of a particular business. The Council is not aiming at regimentation or standardization. I do not think that standardization is compatible with the presentation of a true and fair view.

Technical activities generally. I will not take you in detail through the many other technical matters on which the Council has been engaged during the past year. Those which have been brought to a conclusion are referred to in the annual report. There are many others which continue as work in progress and we have something of a stock-pile of subjects for future consideration.

You will have seen from the annual report that the Council has now received the report of the Technical Activities Committee. This committee was appointed to review the whole question of the Institute's activities in the technical field and to report with recommendations on objectives, how those objectives can be achieved and the associated problems of staff and office accommodation and cost. It is too early yet to make any statement though I hope that the Council will be able to do so in the near future.

Any consideration of this subject, however, leads to the inevitable conclusion that the Institute's technical activities and their cost are bound to increase. The work of the profession is constantly increasing in range, complexity and importance and in this dynamic development the Institute must obviously play its full part.

Taxation. It is natural that over a long period of years our profession should have become closely associated with taxation matters. Our taxation system depends upon accounts and this is precisely our sphere. The Council is able to draw upon a vast amount of experience throughout the country and in this way is well fitted to direct the attention of the Chancellor of the Exchequer and the Board of Inland Revenue to anomalies and uncertainties in existing taxation

legislation and in Finance Bills. We are not by any means always successful in our representations and indeed there are some which we keep on repeating in the hope that one day something will be done. For example we are still hoping for amendment of the Schedule E expenses rule to allow deductions on a more reasonable basis. On the other hand, the Chancellor has this year adopted our often repeated suggestion that Finance Bills should be accompanied by explanatory memoranda.

Our representations are often the subject of discussion between representatives of the Council and representatives of the Board of Inland Revenue. We do not always agree with the Revenue view but we greatly value these opportunities for discussion and we believe them to be of mutual benefit.

Our appreciation of the Board's readiness to talk to us does not, of course, do anything to temper our disappointment when our suggestions are not adopted. Equally we must recognize that the Board, too, has its disappointments. For example the Board believes that the profession could do a lot to expedite the submission of accounts and returns. Now this is a very big subject and there are many causes for delays. Many of these lie with the taxpayer himself but some also lie with the Inland Revenue and some with our profession. In so far as the faults may lie with us I hope that we may all do whatever we can towards reducing arrears and preventing them from arising in future. I hope, too, that inspectors of taxes will not impede us in our efforts by making their queries unnecessarily extensive and detailed.

EDUCATION AND TRAINING

No subject is of greater importance to us than the education and training of our future members. Unless we recruit well educated young men and women of the right calibre and give them thorough training in the work of the profession we shall not be able to maintain and enhance our professional standards. You all know that this matter has been examined by the Committee on Education and Training and the report of that committee has been considered in detail by the Council in the light of the comments made by its committees and by the committees of the district societies. As you will have seen from the annual report, the Council has now been able to announce that it has adopted in principle many of the recommendations made in the report and that others are still under consideration. I am sorry that I cannot be more specific at this stage. Indeed, the annual report contains a warning that no one should take any course of action based on the assumption that a particular recommendation will be implemented. Announcements will, however, be made from time to time and in the course of the next twelve months the full pattern of the proposals will probably have been made known.

Some of the recommendations can be implemented almost immediately. Others require lengthy periods of notice and preparation. Some require alterations to the Royal Charters and bye-laws. In addition there are important financial implications. Earnest attention is being given to these matters.

Quite apart from our own education and training requirements we need to recruit more university graduates and I hope that this will be achieved as a result of the activities of the Committee on Relations with the Universities which the Council appointed last October.

THE SMALL PRACTITIONER

The majority of our articled clerks are trained in the offices of the smaller firms and these firms therefore have a special interest in the outcome of the Report on Education and Training. They also have many other problems and I am indeed most gratified by the response to the inquiry which was instituted last year. You will remember that the presidents of the district societies were asked for their assistance in making an inquiry into the problems and difficulties of the small practitioner and for this purpose a questionnaire was issued. We owe a debt of gratitude to the presidents of the district societies, their committees, branches and groups for having responded so nobly to this appeal. Throughout the country some eighty meetings have been held, attended by over 2,000 members, and as a result we now have for the first time a collection of views of a large number of small practitioners and this should be of the utmost value to the Council in its efforts to overcome problems and difficulties. I must, however, ask for a little patience. There is no easy and rapid solution to most of our problems.

I may say that the inquiry indicates that there is great interest in matters such as fees, competition, registration, publicity, staffing, recruitment of articled clerks, relations with the Inland Revenue and relations with members of other professions.

In response to one of the questions, members have shown a remarkable willingness to give information on fees, salaries and costs. There appears to be a strong feeling that detailed information on these matters should be obtained at an early date through a survey on an anonymous basis and this we intend to arrange.

MEMBERS IN COMMERCE AND INDUSTRY

One of the outstanding features of our Institute has been the extent to which members enter industry and commerce. More and more members earn their living in these spheres and many of them add distinction to themselves and the Institute by occupying executive positions carrying very heavy responsibilities. Not a few of them are called on by the Council to assist in matters where their experience and advice are of the greatest value; and of course the profession in industry is represented – and well represented – on the Council.

I am anxious to emphasize this aspect of our profession because there may be a tendency to regard the Institute's activities as being unduly weighted in favour of the practising side. I regard it as wrong to think of the profession as being divided into two. I am of the opinion that the profession and membership of the Institute are synonymous and that in whatever capacity a member earns his living, fundamentally he is concerned with the true and fair view, the accuracy of the record, the integrity of the professional man and the quality of the service he provides.

I hope for example that members in industry and commerce regard the Recommendations on Accounting Principles as being of no less importance to them than to the practising members. Conversely our publications on management accounting are directed no less to the practising member than to the industrial member.

PUBLIC RELATIONS

A little over a year ago the Council appointed a Public Relations Committee in order to co-ordinate and expand our public relations activities. The committee has the advice of a professional publicity consultant who attends all its meetings. The committee has been busily engaged during the past year in laying the foundations for what we hope will be worth-while projects. We are fully conscious of the potentialities not only of the written word but also of radio and television. Incidentally you may have noticed that our Hall in Moorgate Place was used on Budget day for the purpose of televising comments by leaders of various walks of life in the City and one of our members participated.

INSTITUTE FINANCE

A year ago my predecessor drew attention to the satisfactory state of the Institute's finances but warned that a period of development and expansion lay ahead in which additional revenue would be required in order to avoid income deficits. The Council is not yet able to announce its building development plans, as certain negotiations are still in process; but taking that matter in conjunction with the implementation of recommendations in the Report on Education and Training, expansion of the Institute's activities in the technical field, publicity and so on, it is inevitable that large amounts of money will be involved in the immediate future. The financial implications are being worked out and it seems inevitable that members will in due course be asked to approve increases in subscriptions and fees.

So much for domestic matters but before I conclude I will refer to two matters which I will call International Affairs and National Finances.

INTERNATIONAL AFFAIRS

In September of this year, the Eighth International Congress of Accountants is to be held in New York. We expect our Institute to be well represented by several hundreds of our members. Then in September next year there is to be a European Congress of Accountants in Edinburgh with The Institute of Chartered Accountants of Scotland acting as the host organization. His Royal Highness The Duke of Edinburgh has been pleased to give his patronage to the congress. Such international gatherings of accountants are of immense importance to the profession. The profession in its widest sense exists largely to provide essential services for industrial, commercial and financial organizations and because of this the profession is essentially international in outlook. It is therefore important that there should be opportunities for international exchanges of view, sometimes on a world platform and sometimes on a regional platform. New York and Edinburgh will provide these opportunities.

The international nature of the profession has always been of importance to us. Since the very earliest days of the Institute, chartered accountants have ventured overseas and we now have over 4,000 members outside the United Kingdom. Over the years our members have taken a major part in the creation and development of an organized profession in many overseas countries. This was a necessary accompaniment to the opening-up and development of overseas countries. Today the vast organism of trade and commerce sprawls all over the world and it is in greater need than ever before of the services which our members are well fitted to provide.

This question of practice abroad and restrictions on it is of particular importance to the profession and to the business interests which rely upon it in connection with the development of the European Common Market. The Council is watching the situation closely. There are many differing conceptions of the profession on the continent of Europe and many difficulties will need to be overcome in order to apply the liberalization requirements of the Treaty of Rome. Our hope of course is that the Common Market countries will be placed on a basis comparable with that in the United Kingdom so that accountants with suitable qualifica-

During the Institute's annual meeting. *Left to right:* Sir Thomas Robson, Senior Past President; Sir Charles Norton, Solicitor to the Institute; Mr Alan S. MacIver, Secretary; Mr P. F. Granger, the President; Mr P. F. Carpenter, Vice-President.

tions will be able to practise the profession irrespective of their nationality and place of residence, with freedom to enter into international partnership arrangements of the kind which are so well understood in the English speaking world. We shall continue our efforts to that end.

I must also refer to those of our members who are employed overseas in industry or commerce or in Government service. There are many of them. They do work which redounds to the credit of our Institute by reflecting our standards of business integrity and competence. Moreover, they have made and are making a great contribution to our exports. One cannot run a business abroad unless one is satisfied about the soundness of the financial planning and administration, the accuracy of the accounts and returns and the competence of those responsible for them.

Last September I had the privilege of representing the Institute at the annual meetings of the World Bank and its associated organizations. These were held in Vienna. So far as I am aware no other accountancy body from any part of the world was represented on this occasion and I regard the invitation which was extended to us as being an indication of the international reputation which our Institute possesses. The World Bank and its associated organizations, particularly The International Finance Corporation, have a great deal to do with the provision of funds on a large scale for development projects in many parts of the world. My attendance in Vienna led me to believe that there must be great scope in these matters for the use of the world-wide professional services which members of our Institute can provide.

NATIONAL FINANCES

Civilization and bureaucracy seem inevitably to go hand-in-hand. It is, therefore, very comforting to remind ourselves that as a profession we are not subject to any form of Government control. We have in this country a taxation system under which it is virtually unheard of for Inland Revenue officials to examine the books of taxpayers; such a system would be impossible but for the trust placed in us by both the Inland Revenue and the taxpayers for whom we negotiate. I am a great believer in the importance of the individual and I believe that our profession does a great deal to help preserve that importance. As responsible professional men whose training and experience bring us into direct contact with every conceivable kind of industrial, commercial and financial activity we have a very important role in national affairs. This is a position we must strive to maintain and improve. We can do so by maintaining and improving our own standards and by resisting firmly any encroachment upon the range of our activities.

With the exception of the Exchequer accounts there is in this country very little auditing by Civil Servants. This is as it should be. Auditing is fundamentally a skilled professional job calling for great breadth of training and experience and best carried out by the independent professional man. Auditing by Government department as a compulsory requirement is to be deplored and we must continue to be alert and ready to deal with any movement towards any extension of the present narrow field in which audit by Government department is compulsory.

Professional audit of nationalized undertakings is now a well-established principle but I would like to see a realization by the Government that the accountancy profession could readily provide additional services which would be of great value in relation to the enormous amount of money and manpower involved in the nationalized undertakings. Ten years ago the Council submitted a memorandum to the Select Committee on Nationalized Industries indicating how professional accountants could be of substantial assistance to Parliament in addition to what they now do as auditors. We suggested that the professional accountant could participate in periodical reviews of the nationalized industries; that he could make special *ad hoc* investigations into particular phases of the undertakings if called upon to do so by the Public Accounts Committee; that he could assist the Public Accounts Committee as to the lines its inquiries might take when it is considering the voluminous annual reports and accounts of the undertakings; and that his normal duties as auditor could with advantage be extended so that he would make a supplementary report on matters which appear to need examination, for example where Government grants have been given on the basis of estimates furnished by the undertaking and the subsequent results have differed materially from the estimates; or where an undertaking has incurred substantial capital expenditure which was intended to be productive but which has not proved productive or upon which an adequate return has not been received.

There is great scope for useful work by the profession in these important matters and not only in the nationalized undertakings. It is surprising to me that the Government has not long ago realized that we have available for the asking the professional ability and experience to make an immense contribution to the economic welfare of the country.

APPRECIATION

I conclude by expressing my thanks to all the members of the Council for their kindness and assistance in what is obviously the outstanding year of my professional life; to the district society presidents whose guest I have been and from whom I have received great hospitality; and finally to the Institute staff who have helped what I think at times has been a rather lame dog over some difficult stiles. This is Mr MacIver's last annual meeting and although he does not retire until September it would ill become me to let this meeting pass without a 'thank you' on your behalf and my own and on behalf of all those he has guided and helped during his long and able period of service to the Institute and its members.

I now propose, and I ask the Vice-President to second, the adoption of the report of the Council and the accounts for the year ended December 31st, 1961.

The Vice-President, Mr P. F. Carpenter, seconded the resolution and the President then invited questions from members.

DISCUSSION

Mr C. H. Chidgey, A.S.A.A.: In the annual report there is a number of references to the Society of Incorporated Accountants. I do not think I need refer to these in detail but I would like to draw attention to the now diminishing but none the less still substantial number of our members who are incorporated accountants. There is, of course, nothing derogatory in this title, but nevertheless I think it would be fair to say that the majority still desire full

integration with other members of the Institute. If you are able to make any statement about developments in this matter it would be greatly appreciated.

The President: This is not an easy problem as you can imagine, because it was very much an essential part of the integration scheme. It has, however, recently been referred to a special committee for examination and I know that the committee will approach its task with a desire to be helpful and to try and overcome the difficulties. More than that I am afraid I cannot say at this stage.

Mr S. L. T. Crawford, F.C.A.: I would like first of all to draw attention to the very short period of notice which is given for this meeting. The day has been changed this year and, as far as I am concerned, I received my notice on the Thursday afternoon immediately before Easter, and including the Easter week-end had a bare fourteen days' notice of the meeting. Comparing that with the twenty-one days that limited companies are required to give, I consider, and suggest to you, that the Institute is setting a very bad example. I hope that that sort of thing will be corrected in the future and that we shall have at least a clear twenty-one days' notice.

Secondly, while welcoming this small practitioner inquiry, I would like to draw attention to one or two points. You have emphasized in your statement that it is a small practitioner inquiry, but I rather feel it is an 'all-practitioner' inquiry, embracing the larger firms as well as the smaller firms. I attended some of the inquiry meetings in East Anglia and emphasized there that in my view – and I had a good deal of support – the problems of the small practitioner, the true small practitioner, let us say those who have under ten total personnel and under £10,000 a year gross fees, are very different from the larger firms; and there are larger firms in the provinces who have eight or ten partners, three or four offices, up to eighty staff, whose problems are vastly different. Yet in East Anglia, as I understand it, the whole of the members were asked to contribute to this inquiry. In my submission, this is entirely wrong. In a small practitioner inquiry we should define what a small practitioner is and restrict it to the small practitioner so that we get the small practitioner's views.

Thirdly, I would like to refer to the district societies. Am I right in thinking, Mr President, that so far as East Anglia is concerned – in which I practise – that it is necessary for me to apply for membership of the district society and to get elected and to pay a separate subscription before I can take part in the district society's affairs? How much that subscription may be I have not been able to find out. I raised the point at two of the small practitioner meetings and nobody was able to say what the subscription was to the East Anglian District Society. I think it is entirely wrong that the district society should have the right to nominate members for the Council and get the support of the Council to those nominations if they do not truly represent all the members of our Institute. In other words, if the membership of the district society is not automatic, instead of the district societies being a channel for communication to the members, it seems to me that they must act as a bar to communication between the Council and the members, and vice versa, if membership is not open to all.

Finally, may I refer to Mr Barlow's nomination, and say that I am very sorry that in paragraph 7 of the report there is no mention of Mr Barlow's nomination although there is mention of the other members.

The President: As regards the notice of the meeting the bye-law stipulates not less than fourteen and not more than twenty-one.

Mr Crawford: I did not criticize it, Mr President, as being out of accord with our rules. I simply drew attention to the short period and contrasted it with limited companies who give at least twenty-one days' notice.

The President: We can note that. The reason that the meeting is held today, instead of the usual Wednesday, which incidentally I think gave you an extra day, is that we have a banquet at Guildhall tonight and the only way we could arrange this for the same day as our annual meeting was to have both today, instead of our usual Wednesday.

On the question of the small practitioner, it is not very easy to define 'small' and we left it to the individual district societies to make up their own minds as to whom they sent the questionnaire. Personally, I have no doubt whatsoever that in the returns we have received, the small practitioner, however defined – that is to say ten, nine, eight, down to one staff – is very well covered. We could not, nor would we wish to, interfere with the way districts conducted this inquiry. It would depend on how the individual committees felt about it; but the emphasis all the way through has been on the small practitioner.

I really cannot help you over the rules of the districts regarding rates of subscription. What I suggest you do is look in the early pages of the *Red Book* where you can see the name of the secretary of the district society and write to him.

There was no deliberate omission of Mr Barlow's name from the report – we will look into that point. I think it was merely a question of timing and printing. There was no intended reflection on him in any shape or form.

Mr Robert Barlow, V.R.D., F.C.A.: As a small practitioner in all senses of the term, both as regards fees and stature, I have attended three of these inquiry meetings, ranging from going as a guest to the East Anglian meeting and to the Southend Group of the London District and one of those held in London, and it is perfectly clear to me that the problems encountered in London are far different from those encountered in the country. I am in the London District, practising in Chelmsford, but my practice is very rural in concept. Our problems are quite different and I hope that if anything comes of this inquiry they will be noted.

The other point is regarding what Mr Crawford raised about the district societies. I am perhaps privileged in that I can automatically, if I wish, join the London District Society – I believe without further subscription. The point is that if I were in Colchester and wished to join the district society and become a representative on the Council in some way or another, I should have to pay a further subscription to the East Anglian District Society or whatever the district would be. Thereby, as I see it, those members who are not in the London District Society who wish to have any voice other than at this annual meeting in the conduct of the affairs of the Institute have to pay a further subscription to get a voice, to join their district society other than, of course, by direct representation to the permanent officials.

The President: Well, of course, you are speaking to one who has paid the district society subscription for practically the whole of his life. Surely, if you want the privilege of taking part in these Institute activities, the amount of the subscription to a district society should not be a factor in stopping you taking such action as you want to take.

Mr Barlow: It is not a question of the amount. It is a question of principle. It is what many people spent the years 1939–45 fighting for. It is a question of principle; not a question of money.

The President: I do not think I can help you any further on that, Mr Barlow.

Mr Crawford: Do we understand . . .

The President: Really, there is an awful lot of other people in here. Before I continue with questions from that particular corner, could I ask if anybody in some of the other corners wishes to ask a question. I do not want to stifle discussion in any shape or form but I do not want this to start as an argument between the President, on an occasion like this with the vast number of members here, and two or three members. (*Hear, hear.*) Has anybody got any other question they would like to ask? (*A pause.*) Now, Mr Crawford? (*A pause.*) I now put to the meeting the

resolution for the adoption of the report of the Council and the accounts for the year 1961. Those in favour? Those against? That is carried.

APPOINTMENTS TO THE COUNCIL

The appointment of two members of the Council, Mr Ralph Gordon Slack, M.A., F.C.A. (Hull), and Mr Alfred Gordon Thomas, F.C.A. (Sheffield), to fill vacancies arising since the last annual meeting, was confirmed.

The President: The next item is that relating to the election of eleven members of the Council and in order to make it perfectly clear as to what the present procedure is and has been I am going to take a few minutes of your time by reading something which I have had prepared and which is, as far as I can make it, as neutral as possible.

You will see from the notice convening the meeting that in addition to the eleven members of the Council who retire by rotation and are nominated for re-election under bye-law 6, there is also the nomination of Mr Robert Barlow under bye-law 7. In accordance with bye-laws 8 and 9 we must therefore vote at this meeting. Voting papers have been issued to you. Before the vote is taken, however, I will remind you of the procedure which has been followed for many years in appointing members of the Council. There is no secret about it. It is already on record.

There are fifty-five seats on the Council. Of these, ten were created under the Scheme of Integration and filled by ten members who were members of the Council of The Society of Incorporated Accountants. None of these ten Council members can be replaced. When any of them ceases to be a member of the Council, his seat will automatically lapse and in due course, therefore, the number of seats on the Council will revert to the normal number of forty-five.

Of these forty-five seats, five are reserved for members not in practice. This is not required by the Royal Charters and bye-laws. It is an arrangement which, on the recommendation of the Council, was adopted by members at the annual meeting in 1950.

The remaining forty Council seats are divided over the areas of the district societies (which cover the whole of England and Wales), so that each area has an appropriate representation on the Council. When a Council member dies or retires, the committee of the appropriate district society is asked to submit names and it is from the names so submitted that the Council elects a new member in place of the member who has died or retired.

Each year one-fifth, that is to say eleven, of the members of the Council retire by rotation, and they are eligible for re-election. Two of these are Society's appointed members. The names of the other nine are submitted to the relevant district societies who thus have the opportunity of putting forward any other names if they wish to do so.

These arrangements have been followed for a great many years and in the opinion of the Council they provide the most suitable method of recruiting to membership of the Council those who have already demonstrated both their readiness and their ability to serve the Institute, particularly through the district societies.

It is because the Council believes firmly in the procedure which I have just outlined that the Council recommends, as stated on the notice convening the meeting, that the eleven vacancies be filled by the re-election of the retiring members.

Now, that is exactly how it has been done and has been laid on for this meeting today. Before I ask members to complete their voting papers would any member wish to speak on this?

Mr G. R. Appleyard, F.C.A.: Mr President, I think you have explained to all of us very clearly the constitution of the Council as it now stands, and I think there is very little more to be added to it except the fact that so far as the district societies are concerned anybody can join a district society, and if they are really interested in Institute affairs they can get themselves elected to the committee of the district society. The committees of these district societies do a tremendous amount of work on behalf of the Council and on behalf of the local geographical members, and that seems to be a splendid training ground before a member is elected to the Council.

The Council in the past, I think it can be fairly said, has served this Institute very well. Ladies and gentlemen, what we want is the best men we can get; men of integrity; men of responsibility and most important of all, men who have got the time to give to this all important job. It is my sincere wish that this procedure is continued with. (*Hear, hear.*)

Mr E. A. Bland, D.S.O., F.C.A.: Mr President, I would like to say, as a member of perhaps the smallest district society, that I entirely support what Mr Appleyard, coming from the largest district society, has said.

The President: Thank you, Mr Bland. Does anybody else wish to speak on this?

Mr C. V. Best, F.C.A.: On behalf of the London District Society, and I think most people here will know that I am interested in the London Society, I would like to support the comments which have already been made and suggest that Mr Barlow takes up some lesser duty and lesser responsibility in the Institute in order that he can thereby get the requisite training to become a member of the Council. As far as London is concerned, I think most of you will know that the area covered by the District Society is – I will try to remember – the counties of London, Middlesex, Hertfordshire, Bedfordshire, Buckinghamshire, Berkshire, parts of Essex, parts of Oxford, part of Kent, and for some reason unknown to me, the Channel Islands. (*Laughter.*) In this area, Mr President, I am told there are something in the region of 16,000 Institute members – practically half of our membership. Mr Barlow has himself this afternoon said that the problems he has are entirely different from those in London. I agree with him in that respect and I would like to suggest to him that he helps the local members and the members of the London District Society and their committee by helping to form a group or a branch of London District Society in Chelmsford. If he is willing to do that and will meet me after this meeting, or at any time, I will be delighted to help him to get this venture going. While at the moment, for the reasons that I have stated, I will vote against his appointment to the Council, I trust that on some future occasion, he having proved himself, I shall be justified in supporting his nomination.

The President: Does anybody else wish to speak on this?

Mr Crawford: I would like to say, Mr President, that I should be directly in favour of Mr Best's remarks if, and only if, membership of the district societies was universal to all our members and were not the subject of a separate subscription. I think therein lies the wrong principle.

The President: Does anybody else wish to speak? (*A pause.*) Well, now, would you please complete your voting papers. The auditors are acting as scrutineers.

APPOINTMENT OF AUDITORS

Now, gentlemen, I hope you do not mind if I proceed with one or two other matters.

The next item on the agenda is the important one of appointing auditors. You will have seen from the report that the Council is recommending an increase in the fees from 1,000 to 1,250 guineas, not only for the present year but also for 1961. Accordingly, a higher amount has been charged in the 1961 accounts. Now, under Bye-law 115, Mr Bingham and Mr Pells retire and are eligible for reappointment. May I have a proposal please?

A Member: I have pleasure in proposing the re-appointment of the auditors, at the increased fee for 1961 as well as for the future.

The President: Thank you very much.

A Member: I would like to second that, Mr President.

The President: Thank you very much. All those in favour? Thank you.

FIRST DECIMAL COINAGE RESOLUTION

Now, we have a rather more thorny one, I think. We come to item 5 on the notice convening the meeting. Mr Armitage and some others have given notice that they wish to bring a motion before the meeting and therefore I will call upon Mr Armitage.

Mr R. L. Armitage, F.C.A.: Mr President, this motion is brought before the annual meeting of members for two main reasons. First, because decimalization of the currency is sufficiently important to all of us to deserve considerable care and thought, and secondly, because there is hope that those things which are matters for concern will be remedied now that attention has been drawn to them.

The motion is not intended in any way as an assault on the Council or on our constitution; it is not that at all, and I should like to say straight away that I very much appreciate the time, given freely and without financial recompense, by those members who serve on our Council and its committees. I am sure that we all desire to thank them sincerely, but that does not mean that our administrative body wishes to be considered infallible, and, in fact, the founders of our Institute who framed its constitution foresaw that there would be occasions when members felt that there were matters which required to be ventilated, and accordingly, they made express provision in our bye-laws to enable this to be done – and it is strictly in accordance with these constitutional provisions that this motion is brought before this annual meeting.

It is not an attempt by a handful of eccentrics to hold an inquest on something that is mere theoretical nonsense. Decimalization of our currency may have been viewed like that in the past, but now it is an issue which the Government has said is to be decided this year; it accepts it in principle; it wishes to determine which system is best.

When reading the motion, you will have noticed that it does not oppose decimalization of the currency, and also that it does not speak either for or against retention of the £ sterling. Those are matters which more properly fall under a separate motion standing in the name of another member, and which is to be considered later. What the present motion does say is that the manner in which the subject has been handled 'leaves much to be desired'; and the element of criticism is essentially contained in these five words – 'leaves much to be desired'. These words are meant to be taken literally, and by *doing* what is desired, the Council can remove the objections, and we can all hope to be reasonably well satisfied. It may help if I read it at this stage. The motion is:

> 'That this meeting considers that the handling of the subject of decimalization of the currency leaves much to be desired, inasmuch as the Council:
>
> (*a*) has published two opposing views on the question of the system to be adopted, by giving one opinion to the Committees appointed by the British Association for the Advancement of Science and the Association of British Chambers of Commerce, and a different opinion to the Chancellor of the Exchequer, without explaining the change;
>
> (*b*) has not taken steps to ascertain, and to present, the views of the general body of members of the Institute, though there is evidence that they are not unanimously in support of either of the opinions referred to in (*a*) above;
>
> (*c*) marked the relative documents private and confidential when it referred the matter to the Taxation and Research Committee, which precluded their discussion with other members of the Institute; and
>
> (*d*) expressed its opinion to the Chancellor in terms which presupposed that members of the Institute as a whole approved both the adoption of a decimal currency and the abandonment of the £ sterling, and that there was no other worth-while opinion within the Institute.'

The four sub-headings need a little amplification. The first deals with the contrast between the two different answers on the question of the choice of systems. Briefly, the circumstances were that the British Association sent a questionnaire to our Institute. Here is the first question:

> 'Does your profession consider it would be advantageous to decimalize the coinage in the United Kingdom?'

The reply was:

> 'In the opinion of the Council a majority of the members of the Institute would consider it to be advantageous.'

You will note the careful and modest answer. It refers to the members of the Institute and says that it is the Council's opinion that a majority of them would consider it to be advantageous, and I suggest that that is a right and proper answer.

Then, later on, replying to a question setting out various possible systems, it says:

> 'Systems (i) or (ii) would be suitable as both retain the £ as a basic unit of currency. . . . Systems (*iii*) or (iv) would not be considered suitable as they each depart from the £ as the basic unit.'

I am not concerned with which system was favoured, because I think that the Council had made clear at the outset that there had not been a referendum, and it was simply answering a privately-sponsored questionnaire by considering what, in its view, a majority of the members would think.

The results of this, and the many other replies, were summarized in a joint report published in 1960, one of its main conclusions being as follows:

> 'There is some disagreement as to the preferred method of decimalization but there is an overwhelming wish to retain the £ as the major unit.'

The Government took favourable notice of the joint report, and the matter was pursued by means of a speech in the House of Lords by the Earl of Dundee, inviting further expressions of view.

The next thing that members of the Institute learned was that the Council had accepted the invitation by sending a memorandum to the Chancellor of the Exchequer which advocated abolition of the £ sterling and adoption of the South African system. There was no prior warning to members that there had been a change, and no explanation of it was given.

Now, suppose that I say that the Council should have looked at the question like this: that, before the Government makes a final decision it ought to get as many views as it can from all those people who do not belong to industrial and commercial firms and chambers of commerce, so that it knows how the country really feels about it.

Well, someone will say, why should the Council look at it like that, why not take a decision? Surely the Council was replying to the Government, and the memorandum is

clearly headed that it is 'In response to the Government's request for expressions of view, made by the Earl of Dundee in the House of Lords on November 10th, 1960'.

Well, here are his words:

'. . . Before we make a final decision we should like to get as many views as we can from all those people who do not belong to industrial and commercial firms and chambers of commerce, so that we know how the country really feels about this. . . .'

As we know, the general body of members has not been consulted, and I do not see that there was any mandate for the issue of the memorandum. The subject is not a matter like company law or taxation, which are under review year in and year out, and which constantly are being reported in *Accountancy* and *The Accountant*. The fact is that decimalization of our currency is something exceptional and is a new subject to the present generation, and, once this country is committed, it will be non-recurring.

As regards secrecy, I should have thought that if ever there was a subject which could and should be dealt with by the Institute openly and freely, then surely this is it. It is understood that certain documents on the subject had been prepared by the Institute and had been disclosed to representatives of district societies, but whether the contents gave a balanced and satisfactory commentary on the problem, I am unable to tell you, because, on applying to the Institute for a copy, I received the reply:

'I am sorry that I am unable to make Council documents available to you as they are always considered to be confidential.'

And the last point is that the memorandum sent to the Chancellor is expressed as though a decision had been taken by the Institute. There is no reference in it to other or alternative views within this body. It not only reverses the earlier expression of opinion regarding the £ sterling, but it also drops any mention of the word 'members'. Yet it was a volunteered statement, and, clearly, it purported to be on behalf of the Institute as a whole, because otherwise there could be no justification for sending it. It is an example of what is referred to in *The Organization Man* as 'harmonious group thinking'.

It implies a unanimity which does not exist. Why mislead the Chancellor on this point? Why not face up to the fact that there is a good deal of scope for differences of opinion, and that members appear to be divided on the question as to which system to adopt. That is the answer to the question which was asked.

You may have seen a recent article on the Institute examinations which said:

'Countless thousands of examinees have received this advice: "Read the question!" Many of them still fail to do so . . .'.

Taking the motion as a whole, then, what is it that has been left to be desired? I suggest:

(1) that the subject of decimalization of our currency should now be treated openly and frankly;

(2) that the arguments for and against the various possible systems, as already known to the Council, should be supplemented if necessary and made available to all members by circular or by publication in the journals;

(3) that an *ad hoc* committee be set up:
   (*a*) to review the work already done;
   (*b*) to issue information to members;
   (*c*) to consider what can best be done to ascertain the views of members;
   (*d*) to advise the Council on the form of statement required to remove any misunderstandings arising from the memorandum;
   (*e*) to issue a statement setting out in the fairest possible way the expressions of opinion found to be held by members of the Institute, or else to state clearly that this *has* not, and cannot, be done.

I have not come forward from any desire for personal publicity, but solely in order that these points may be presented to you. I hope that prompt and suitable action will be taken, and that I may be allowed to return to well-merited obscurity.

Thank you, Mr President, and members, for allowing me to present this motion; I have already read the text of it to you, and I move accordingly.

The President: Thank you Mr Armitage. Now I shall want a seconder for that.

Mr B. J. M. Boys, F.C.A.: The proposer of the motion which is now before you has made it clear that, though it is admittedly critical, it is not an attack upon our Council or on any of its members. I associate myself completely with that approach to this debate, as I have the greatest admiration and gratitude for the work done by our Council on our behalf. I suggest, therefore, that the motion does no more than draw attention to the fact that even the members of our Council are human like the rest of us.

If I could have attended the annual meeting last year I should then have made some attempt to discuss the memorandum to the Chancellor. Unfortunately, I had a long-standing engagement on the Continent at that time, and could not be here in London as well. Mr Armitage, too, was abroad for some months in the early part of last year. I believe he went round the world, though not to study currency questions. The delay may not be a disadvantage, because decimalization being now the declared policy of Her Majesty's Government, the matter is more topical today than it was a year ago.

The motion specifies four reasons for the feeling that the treatment of the question has been unhappy, and the proposer in his remarks has dealt with them in some detail. The reasons given are stated as facts, which I believe cannot be contradicted and, if that is the case, then I suggest that the motion must be supported.

The first reason given makes reference to the difference between the recommendation made to the British Association for the Advancement of Science and that made to the Chancellor of the Exchequer. A change of mind is by no means a bad thing in itself. Emmerson wrote that 'a foolish consistency is the hobgoblin of little minds' but if a change of mind takes place, and certainly when that change purports to be made on behalf of the members of such a body as ours, the reasons for it should be clearly and forcibly stated. In the memorandum, however, there was not a word referring to the earlier recommendation which had had overwhelming support in the joint report and, as members of the Institute, we have never been given a word of explanation to account for the change of view.

Mr President, this subject is much too important for mere debating points, but I would suggest to you that the *in*consistency to which I have just been referring, contrasts oddly with the *con*sistency with which the general rule regarding the confidential nature of papers issued by the Council has been applied – I suggest, quite inappropriately, in this connection.

The background to this motion is, of course, the memorandum to the Chancellor.

It was there that the change of mind was made apparent, and I must submit that, on other grounds also, that paper was not worthy of the Institute.

Its subject was a matter of outstanding public importance and one would have expected, therefore, that it would have been drafted with, if anything, even more care than that given to the Council's normal pronouncements which deal with matters of much more limited interest. Such papers are usually carefully reasoned and tend, if anything, to err on the side of caution. The memorandum, however, is full of emphatic expressions of opinion stated as if they were facts and is almost completely barren of reasoned argument based on facts and supported by evidence.

I do not wish to be accused of following that example and I, therefore, choose just two of the many points which might be instanced to justify my opinion. They both

occur in the very first sentence of the paper which ran thus: 'The advantages of possessing a decimalized currency are widely known and not seriously disputed.'

That sounds like a statement of fact, but I suggest that it is merely an expression of opinion, and perhaps just a little smug. 'Widely known' may, of course, be intended to refer to members of the Institute, but it does not say so. I would suggest that, except perhaps in the City of London, a considerable majority of the replies to a Gallup Poll on the subject would show a complete ignorance of decimalized currency and only a tiny fraction would have a clue as to its advantages.

If I may digress for a moment, Mr President, I would ask you to remember that those replies would be given by the people mainly concerned by any change, because it would affect their daily dealings. Surely, their convenience is worth some consideration. That point was clearly made in the joint report, but it was ignored in our memorandum and, as a body of professional people, have we not a responsibility to the community as well as to our clients' convenience?

Then for my second point – advantages are 'not seriously disputed'. That may be true, though not quite true of members of the Institute, but it is not restricted to them and, in any event, they had not been asked. It is certainly not the universal truth which the statement seems to imply.

The advantages are, in fact, disputed by Professor Aitken, a most distinguished mathematician, who also happens to write English which it is a pleasure to read for its clarity and precision. Then Mr Phillips, an actuary, disputes the advantages. He wrote a delightful article which appeared in *The Accountant* three weeks ago, and which dealt with the matter in devastating fashion. There are others who have similar views, even in the Institute and, at the risk of an anti-climax I would add that I am one of them myself.

Mr President, those remarks of mine dealt with one sentence of a document of getting on for 1,000 words. If I were to go through them all there would be no Guildhall banquet this evening; but I trust I have made my point.

To sum up the memorandum, Mr President, the impression it made upon me was that, though the members of the Council are undoubtedly expert on matters of accounts, company law, taxation – and, no doubt, many other matters too, they were not so fully informed on this question of the currency; as a result, they had been carried away by the enthusiasm of a few who had formed a definite view of the matter. It is, I think, pertinent to add that there is one member of the Institute who probably has access to the largest fund of information at present available on the subject, but he was at no time consulted in connection with the preparation of the memorandum.

In conclusion, Mr President, I believe that before a soundly based view on this matter can be expressed on behalf of our Institute, much more thought and much more inquiry is needed than it has yet received. I believe that the importance of the subject and the effects on the community of any change have been underrated.

I have expressed the opinion that the quality of the memorandum to the Chancellor fell very much below what might reasonably be expected of a pronouncement made in the name of our Institute, and I suggest that the unexplained change of mind which the motion criticizes is a matter on which members should feel concern. Mr President, I therefore feel obliged to ask that members will support the motion, which I accordingly formally second.

The President: Thank you Mr Boys.

Mr H. A. Benson, C.B.E., F.C.A.: As you know Mr President, I am chairman of the Parliamentary and Law Committee which is the committee of the Council which was responsible for dealing with these matters, and it may be thought appropriate that I should give some answer to the four points which were raised in the motion.

I would like to make it quite clear to this meeting straight away, lest there be any imputation cast upon the Council, that during this month a further reaffirmation has been made to Lord Halsbury's committee of the views which were expressed in the document of February 1961. The Parliamentary and Law Committee and the other supporting committees which I will refer to in a minute, and the Council, have reaffirmed the views they expressed in 1961 and see no reason to change them.

I think perhaps my best process to deal with this matter would be to take the four points which Mr Armitage has raised.

The first is the complaint that the Council has changed its mind. That is quite correct. In 1958 the Institute was asked to reply to a questionnaire issued by the Association for the Advancement of Science, which to the best of its ability it did. The Association made a long report and in the interim period a great deal of thought was given by a great many people and documents and memoranda were published. South Africa and Australia gave a great deal of time to this; South Africa to the point where it did, in fact, in February 1961 change its currency.

The Institute therefore re-examined the matter in the light of that new volume of information that was available. We went through the usual procedure which again I shall refer to in a minute, and, in the light of all that, the Council of the Institute changed its mind. You may think it right to make sport of the Council because it changed its mind: I would like to suggest to you that the Council might at least be respected, if not commended, for having the courage to do so in the light of the additional information which was then available to it.

Mr Boys: I would like to make it perfectly clear that there was no criticism whatsoever of that fact that the Council changed its mind. It was the fact that we were not told why.

Mr Benson: The second point which was raised in the motion was 'that the Council has not taken steps to ascertain and present . . .'. There are some minor imperfections in the wording and drafting of this motion and I do not know whether it means that a referendum should have been taken. If that was intended by the motion I say bluntly that the suggestion is absurd. It would be quite impossible for the Council to take a referendum of 35,000 members before it issued its views on the very large number of subjects which come before it day by day and week by week. The particular point goes on to say that there is evidence that they, that is the members of the Institute, are not unanimously in support of either of the opinions. Of course they are not unanimously in support. Anybody who has done any work for the Institute will be only too conscious of the fact that practically no document which is issued has unanimous support. Every document is debated. There are many conflicting and different views, and all that the Council can do, and all that it does, is to give what it believes to be the sum total of the balance of opinion in one direction or another. That has been recognized for a great many years.

The third point which is made is that the documents were marked 'Private and Confidential'. I do not know whether that was intended to suggest that the Council acted in a furtive and secretive way. If that was the intention I bluntly repudiate it, and the imputation should not have been made. But I have gone further than that. I have asked for an inquiry to be made as to the facts on this point. None of the documents which were passed from the Institute to the Taxation and Research Committee were marked 'Private and Confidential'. None of the documents issued in the Taxation and Research Committee were so marked either. There was not the slightest intention that there should be anything furtive about it which should prevent free discussion. The only point on which I should inform members is that the envelopes which were used by the Taxation and Research Committee in sending the papers to districts were so marked, because they are always so marked for all documents which are sent out.

In relation to both those points I would like to make it plain that the Council took every step, as it does in respect of all the documents which it issues, to try through the

established machinery to get the best informed opinion throughout England and Wales from its members. This document was considered by the Taxation and Research Committee; it was then circulated to the districts and considered by them; it came back to the Taxation and Research Committee in London; it then went to the Parliamentary and Law Committee and finally it went to the Council. At each stage the document was considered by people who may have been misguided, but at least they did their best. I do not want anybody to think that this document received any different treatment from any other document of this character which is issued by the Council.

The final point is that the Council 'expressed its opinion to the Chancellor in terms which presupposed that members of the Institute approved', and so on. I think that this meeting, Mr President, should be aware that the wording used at the heading of this document is precisely the same as the wording *mutatis mutandis* which is used for all documents which are issued by the Council. It implies this was the Council's view. Nobody in their senses would believe that every time the Council issued a document it took a referendum of its 35,000 members. But there is something else which I think this meeting also ought to be aware of. This document was issued in February 1961. I have caused an inquiry to be made and there has not been one single protest received by the Institute from any single member until this motion was put before this meeting. In fifteen months not one single member thought fit to protest, to object, to take any view whatsoever to the contrary. I read the professional Press as best I can, and I cannot remember in that fifteen months any protest of any substance which has been ventilated in the professional Press. It makes me feel, Mr President, that the views which Mr Armitage and Mr Boys have expressed are not widely supported.

But, there is one wider issue, Mr President, which I think I must draw the meeting's attention to, and that is the time and effort that goes into the study of these matters – it is very considerable. It involves a very large number of people in all parts of the country. It is extremely dispiriting, however it may be dressed up at this meeting, to have a public rebuke addressed to the Council on the work which has been done by the members of the profession who have voluntarily given their time to do it. I do think that those members who have strong views on technical subjects, who wish to have their views represented to the Chancellor, and the other people to whom the Institute directs its documents, if they wish those views to be known, should come and work on the Taxation and Research Committees throughout the country, and on the district societies and on the main Taxation and Research Committee, and eventually maybe, on the Council itself, where full weight to their views will be given. But it will do no possible good, not having done any of those things, publicly to rebuke the Council at a General Meeting. In the light of those observations, Mr President, I suggest to this meeting that it would be quite inappropriate to allow this motion to be carried. (*Acclamation.*)

The President: Does anybody else wish to speak?

A Member: May I ask on this topic, did the Council refer this question to the district societies for their opinions.

Mr Benson: It went through the usual machinery to all the Taxation and Research Committees throughout the country, which is the normal channel for technical documents.

The President: Mr Armitage, do you wish to press this? If so, I shall have to put it to the vote. I do not want to have a vote if I can avoid it. I think I know the way it will go. I do not want to, but I am prepared to put it to the vote here and now.

Mr Armitage: Mr President, I thank you very much for those remarks. If I may be permitted to make just two comments on Mr Benson's remarks, I think I will have no hesitation at all in withdrawing this motion because I think sufficient has been said to show that it is worthy of thought. You see, we are told that these documents were not marked 'Private and Confidential'; it was only the envelopes in which they were sent. I do not think that that is any answer to my statement that there has been secrecy. I do not think that is any answer to the fact that when I wrote to inquire what this new information was that caused this change of mind, I was told it was not available to me. I am supposed to take an interest, and I do take an interest, in the Institute's affairs, but no, 'I am unable to make the documents available'.

This fresh information; I still ask for it and Mr President, in withdrawing the motion I do ask that fresh information should be made available to me – in confidence if you like – and I shall say no more about it. I shall leave it to the wisdom of the Council to publish such as it considers fit. Equally it is very fit that the Halsbury Committee which is in session I understand at the moment should have this information. You see, last year, quite apart from the fact that I was abroad, the Council had written to the Chancellor of the Exchequer giving this statement. Members were not invited to say anything. You say there were no complaints; but how can you complain – the Chancellor might at that very moment have agreed and said, yes, we are going to decimalize on this ten-bob basis. We were stopped from any comments.

Now, the sole reason why I felt sufficiently that there is an opportunity for bringing it up at all is because the Chancellor did not accept that and the other statements as being conclusive and he did appoint the Halsbury Committee at the end of last year. That was my opportunity, having already written to you, sir, proposing that we should have a further look at the matter, and I wrote again in January saying, 'Right, well now the Halsbury Committee has been appointed, can we have some further information about this?' Nothing was published as a result of that either. No; there is no question of an attack, Mr President. If you will look at the facts, and I only ask that, you will see that the memorandum sent to the Chancellor was not a reply to the Earl of Dundee's request for information, and with the permission of my seconder I do formally, Mr President, out of respect to you and the Council, withdraw the motion. (*Acclamation.*)

Mr Boys: Mr President, that does require my consent, and it will be given. I do, however, resent, if I may say so, the tone of Mr Benson's remarks. He accused the proposer and myself of making innuendoes, and I am quite certain that there were none in anything that we said. I think he must have written his remarks before he heard what we had to say.

The second suggestion that Mr Benson made was that if we wanted to do some work let us get into the district societies and do it. Mr President, I have been president of my society; I was one of the original members of the Taxation and Research Society when it was Taxation and Financial Relations Committee – almost prehistoric – and I was chairman of my own district society. (*Applause.*)

The President: I think, Mr Boys, I will say that Mr Benson made one or two of his remarks in a Pickwickian sense.

RESULTS OF VOTING FOR THE COUNCIL

I have now received the voting paper setting out the votes recorded for the election of eleven members of the Council and this reads: R. Barlow, V.R.D., F.C.A., 62; H. A. Benson, C.B.E., F.C.A., 268; P. F. Carpenter, F.C.A., 285; D. V. House, F.C.A., 277; E. N. Macdonald, D.F.C., F.C.A., 281; J. H. Mann, M.B.E., M.A., F.C.A., 276; F. E. Price, F.C.A., 285; L. W. Robson, F.C.A., 278; J. D. Russell, M.A., F.C.A., 282; J. C. Montgomery Williams, F.C.A., 277; R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., 279; Sir Richard Yeabsley, C.B.E., F.C.A., 281.

I therefore declare that the retiring Council members are re-elected.

A Member: Mr President, sir, in view of the fact that this vote represents under 1 per cent of the Institute membership, will you have a postal ballot in order that those members who are not present can participate?

Mr Appleyard: May we know what the cost of the posal ballot will be?

The President: The cost of a postal ballot would be – I do not want to be pinned down to the exact one hundred pounds – in the region of £3,500.

Mr R. E. Warlow, T.D., F.C.A.: I think this is perfectly ridiculous. It is just a pig in a poke. We are supposed to be reasonably intelligent and sensible people and to ask for a ballot thinking that it will go any different than it did today is impossible. I do think that on reflection the proposer of this motion – perhaps he will not find a seconder – but I do think that unless it is laid down in the bye-laws of the Institute that you must have a postal ballot this is the most impracticable thing I have ever heard of. (*Hear, hear.*)

The President: I must explain this. We must have a ballot if twenty-five members personally present sign a request for a poll. Can I ask if there are twenty-five members present who wish to sign a form asking for a poll? Will those who wish to sign a form to that effect please put up their hands? (*Eight hands raised.*) Then there is nothing you can do. (*Acclamation.*)

Does the meeting approve of the withdrawal of Mr Armitage's motion? (*Agreed.*) Thank you very much.

SECOND DECIMAL COINAGE MOTION

Now, the next item is in the hands of Mr Cleminson. (Motion in Mr Cleminson's name: 'That decimalization of the currency is to be welcomed, provided that the £ sterling is retained'.)

Mr L. P. Cleminson, M.A., F.C.A.: Mr President, I should very much like, in view of what has already been said, and in deference to you and the Council – I am sure you appreciate that no criticism was intended; I supported the previous motion – I should like permission to withdraw this motion also, in the hope that you will make available the reasons for the change in view which the Council announced, and also that further discussion may be held on this very important question which is a rather more important and widespread opinion than many of the ones which are discussed and will affect the lives of far more people in the country. May I have permission, Mr President, on those terms, to withdraw the motion?

The President: I do not think I can commit the Council in the form in which you have suggested that I should. . . .

Mr Cleminson: Mr President, I was expressing a hope.

SPECIAL MEETING

The President: Well, ladies and gentlemen, we now proceed to the special meeting and I take it you will accept the notice convening the meeting as read? (*Agreed.*) The special meeting is for the purpose of considering the adoption of a new bye-law 47. The reason for the proposal is fully explained in the explanatory note on the notice convening this meeting. There is no need for me, I think, to repeat it, and I therefore propose the resolution as set out in the notice for the adoption of a new bye-law 47 and I will ask the Vice-President to second that.

The resolution was as follows:

'THAT the following bye-law 47 be made and adopted as a bye-law of the Institute in substitution for and to the exclusion of the existing bye-law 47:

Proposed new bye-law 47

47. A member of the Institute practising under the title of a firm in partnership with any person not a member of the Institute or of any institute or society of chartered accountants in the British Commonwealth of Nations approved by the Council shall not use after the title of that firm the initials F.C.A. or A.C.A. or describe the firm in any way whatever as chartered accountants: Provided that where any such institute or society has been so approved the approval shall not cease to be effective for the purpose of this bye-law by reason only of the country concerned having ceased to be within the British Commonwealth of Nations.

PROVIDED ALWAYS that the Council be hereby empowered to accept any alteration in or addition to the foregoing new bye-law which may be required by the Lords of Her Majesty's Most Honourable Privy Council as a condition precedent to the allowance of such bye-law.'

Vice-President: I second the resolution.

The President: The resolution has now been proposed and seconded. Does any member wish to speak? (*A pause.*) Those in favour? Those against? Thank you very much indeed. Now, that, I think, concludes the business of the meeting.

VOTE OF THANKS TO THE PRESIDENT

Mr G. F. Ansell, F.C.A.: Ladies and gentlemen, there is one other very essential piece of business which does not appear on the order paper. I claim the privilege of proposing, in your names, a hearty vote of thanks to our President for presiding at the annual meeting and the subsequent special meeting. (*Hear, hear.*) There is a law attributed to a former City celebrity whose name is perpetuated in these parts, a law incidentally not inappropriate to this meeting. I refer to Gresham's Law which as you know, says 'bad currency drives out good'. Now, if that law can apply not only to currency but also to presidents, I am glad to say that our president is the exception which proves the rule. (*Laughter.*)

Those of us who have got to know the president during the last year are convinced that he is a good president and we are delighted that he has not been driven out during his year of success. In thanking you, sir, for presiding at today's meeting I think I should also, on behalf of all of us, thank you and your colleagues on the Council and if I may say so, to the Institute's staff, and in particular Mr MacIver, for all they have done for us during the past year. We do appreciate this, thank you for it, and offer you our best wishes for the future. Ladies and gentlemen, I am sure that does not require a seconder, and may I suggest we show our appreciation to the President in the usual way. (*Acclamation.*)

The President: Thank you very much indeed, Mr Ansell, for what you have said. I have no speech prepared because you do not do this job more than once, so all I can do is to say thank you all very much indeed for being helpful over this meeting. Thank you very much indeed, and I would also like to accept on behalf of the Council and the staff of the Institute their inclusion in that vote of thanks, and include them in these all too poor remarks. Thank you all very much.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Thursday, May 3rd, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President, in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay Davison, W. G. Densem, S. Dixon, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, J. E. Talbot, A. G. Thomas, A. H. Walton, V. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

The late Harold Garton Ash, O.B.E., M.C., F.C.A.

The Council received with much regret notice of the death of Mr Harold Garton Ash, O.B.E., M.C., F.C.A., London, a member of the Council from 1938 to 1958 and President for the year 1950–51.

Terms Used in Published Accounts of Limited Companies

The Council's notes on *Terms Used in Published Accounts of Limited Companies* (announced by the Council in January 1962) will be distributed to members on May 4th, 1962, as part of Supplement No. 11 to the *Members' Handbook*. The notes are also available for purchase in booklet form on application to the offices of the Institute, price 5*s* per copy including postage. (*Remittances must accompany orders.*)

Decimal Currency

A memorandum has been submitted to the Committee of Inquiry on decimal currency.

Income Tax Return Forms

On the report of the Parliamentary and Law Committee, after consideration of a memorandum from the Taxation and Research Committee, the Council authorized the submission of a memorandum to the Chairman of the Board of Inland Revenue suggesting improvements which might be made in certain of the income tax return forms.

Registration of Articles

The Secretary reported the registration of 142 articles of clerkship during the last month, the total number since January 1962 being 849.

Admissions to Membership

The following were admitted to membership of the Institute:

Barrie, Geoffrey Richard Anthony, A.C.A., *a*1962; 55 Bernard Avenue, Toronto 5, Ontario, Canada.
Corry, Roger Clive, A.C.A., *a*1962; 21 Glennie Road, West Norwood, London SE27.
Cowie, (Miss) Rachel Margaret, A.C.A., *a*1962; 18 Tregunter Road, London SW10.
§David, Edward Gerhardt, A.S.A.A., *a*1962; c/o The Standard Bank of South Africa Ltd, 63 London Wall, London EC2.
Delahaye, Terence Donald, A.C.A., *a*1962; 11A Southfield Avenue, Castle Bromwich, near Birmingham.
§Horne, Peter Jeremy Chadwick, A.S.A.A., *a*1962; with Compton & Horne, 2nd Floor, Colonial Mutual Building, West Street, Durban.
Howell, David Glyn, A.C.A., *a*1962; 24 Langley Crescent, St Albans, Herts.
Lutfi, Madhat Izzat, B.COM., A.C.A., *a*1962; with †Whinney, Murray & Co, Balfour Beatty Building, Mansur Street, Karradat Marian (P.O. Box 108), Baghdad, Iraq.
Maher, Peter Joseph, A.C.A., *a*1962; Spring Bank, Moorend, Mellor, Stockport.
Morton, Michael, A.C.A., *a*1962; 60 Windsor Road, Forest Gate, London E7.
§O'Meara, Robert Barry, A.S.A.A., *a*1962; P.O. Box 20138, Nairobi, Kenya.
Owen, Hugh Charles, A.C.A., *a*1962; 42 Forefield Lane, Great Crosby, Liverpool 23.
Rogers, David Michael, A.C.A., *a*1962; 77 Combfield Drive, Darenth, Dartford, Kent.
Turner, Edward Morton, A.C.A., *a*1962; 13 Hall Place Gardens, St Albans, Herts.

Fellowship

The Council acceded to applications from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Alexander, Bernard, B.COM., A.C.A., *a*1958; Alexander, Meek & Co, 80 Wimpole Street, London W1.
Alton, Albert Geoffrey Robinson, A.C.A., *a*1961; *Hunter, Jones, Alton & Co, 36 Bridge Street, Belper, and at Derby.
Atkinson, Robert Bruce, A.C.A., *a*1962; Bruce Atkinson & Co, 11 St Leonards Gardens, Hove, Sussex.
Bailey, Roy Anthony, A.C.A., *a*1955; Baker, Sutton & Co, Eldon Street House, Eldon Street, London EC2.

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a indicates the year of admission to the Institute.
aS indicates the year of admission to The Society of Incorporated Accountants.
§ means 'incorporated accountant member'.
Firms not marked † or * are composed wholly of members of the Institute.
† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Ball, Robert Kenneth, A.C.A., *a*1958; Ford, Bull, Ellis & Sales and Walter Oppenheimer & Co, 1 Verulam Buildings, Gray's Inn, London WC1.

Barfoot, Paul Wildboar, A.C.A., *a*1961; W. T. Walton & Son and Basil L. Denton & Co, Marlow House, Lloyd's Avenue, London EC3, and at Liverpool and West Hartlepool; also at Stockton-on-Tees, W. T. Walton, Son & Rowland.

Berringer, John Francis, A.C.A., *a*1962; F. W. Berringer & Co, 8 Widmore Road, Bromley, Kent.

Bleazard, Keith, A.C.A., *a*1959; Bowman, Grimshaw & Co, 26 Birley Street, Blackpool, and at Fleetwood and Garstang.

Brown, John Auckland, F.C.A., *aS*1951; Leonard C. Bye, 80 Borough Road, Middlesbrough.

Bryan, James Charles, A.C.A., *a*1952; Bowman, Grimshaw & Co, 26 Birley Street, Blackpool, and at Fleetwood and Garstang.

Burch, William Edward Victor, T.D., M.A., F.C.A., *a*1932; Dene Cottage, Linersh Wood, Bramley, Guildford, Surrey, and at London.

Chance, Brian, F.C.A., *a*1951; Wilkins, Kennedy & Co, 8 Queen Street, Cheapside, London EC4, and at Amersham and Southend-on-Sea.

Cohen, Leonard, A.C.A., *a*1960; Leonard Cohen & Co, 11 Parsons Crescent, Edgware, Middlesex.

Cotton, Antony David, B.A.(COM.), A.C.A., *a*1957; Morris, Gregory & Co, 3 York Street, Manchester 2, and at Macclesfield, Oldham and Widnes.

Cross, John Dennis, A.C.A., *a*1958; *Chater & Myhill, 10 Jesus Lane, Cambridge, and at Ely and Saffron Walden.

Cundle, Alfred Ernest, A.C.A., *a*1961; Hinde, Galt & Co, 20 High Row, Darlington.

Darlington, Herbert Terrill, A.C.A., *a*1959; *Whitaker, Redfearn, Pappin & Co, Bryndon House, 5 Berry Road, Newquay.

Davis, David Philip, A.C.A., *a*1954; Roberts, Raynor & Co, 84 High Road, Beeston, Notts.

Denning, John Michael Dupre, A.C.A., *a*1958; Victoria House, Wogan Ter, Saundersfoot, Pembrokeshire.

Dore, Brian James, A.C.A., *a*1958; *Messenger & Kirkman, 4 King Edward Street, Oxford, and at Bicester.

Edwards, Peter George, F.C.A., *a*1939; F. Sykes & Co, 4 Tokenhouse Buildings, King's Arms Yard, Moorgate, London EC2.

Frost, Roger Nicholas, A.C.A., *a*1956; W. G. Hawson, Wing & Co, Hartshead Chambers, Sheffield 1.

Gilbert, Malcolm Henry, A.C.A., *aS*1956; W. Vincent Vale & Co, 16 Waterloo Road, Wolverhampton.

Goodin, John George, A.C.A., *aS*1955; Tayler, Hounsfield & Co, Coventry House, South Place, Moorgate, London EC2, and 10 Station Parade, Balham, London SW12.

Greenwood, Jeffrey Wyndham, A.C.A., *a*1956; Moore & Smalley, 9 Chapel Street, Preston.

Gregory, (Miss) Ethel Mary, A.C.A., *a*1961; Pulleyn, Heselton & Co, 10 York Place, Scarborough, and at Bridlington and York.

Griffiths, Robert Frederick, A.C.A., *a*1954; Clement Keys & Son, Chamber of Commerce House, Harborne Road, Birmingham 15, and at West Bromwich.

Ham, Roy, A.C.A., *a*1953; Percy Westhead & Co, 1 Cooper Street, Manchester 2.

Hay, John, A.C.A., *a*1962; W. T. Walton & Son and Basil L. Denton & Co, 135 The Albany, Old Hall Street, Liverpool 3, and at London and West Hartlepool; also at Stockton-on-Tees, W. T. Walton, Son & Rowland.

Henderson, Ian Ralph, B.SC.(ECON.), A.C.A., *a*1958; G. E. Holt & Son, 'C' Building, Queen Insurance Buildings, 10 Dale Street, Liverpool 2, and at London.

Hine, Peter Guy, A.C.A., *a*1962; Soole & Co, 22 Southampton Place, London WC1.

Hodgson, Cedric Jerome, A.C.A., *a*1959; A. & C. Surrey & Co, Portland House, 73 Basinghall Street, London EC2.

Honey, Derek Charles, A.C.A., *a*1959; *Messenger & Kirkman, 4 King Edward Street, Oxford, and at Bicester.

Howell, Anthony Edward, A.C.A., *a*1960; 49 Keevil Drive, Wimbledon Park, London SW19.

Hubbold, Clifford Edward, A.C.A., *a*1958; Herbert Pepper & Rudland, Beacon Buildings, Leighswood Road, Aldridge, Staffs, and at Walsall.

Inskip, John Geoffrey, A.C.A., *a*1960; 29 Goldington Road, Bedford.

Janney, Peter Richard, A.C.A., *a*1959; Shelvoke, Pickering, Janney & Co, 36 Cannon Street, Birmingham 2.

Kaplin, Alan Vernon, A.C.A., *a*1959; 15 Chagford House, Devons Road, Bow, London E3.

Kershen, Martin Bernard, A.C.A., *a*1961; Kershen, Fairfax & Co, 26 Dorset Street, Gloucester Place, London W1.

Ledward, John Miles, A.C.A., *a*1955; Central Hall, 268 High Street, Slough.

Le Neve Foster, Patrick Vivian, B.A., A.C.A., *a*1959; Hughes & Allen, Kingsway House, 103 Kingsway, London WC2.

Lickiss, Michael Gillam, B.SC.(ECON.), A.C.A., *a*1959; *H. P. Webster, Lickiss & Co, Britannic House, St Peters Road, Bournemouth.

Mace, William Edward, A.C.A., *a*1960; Brynmor Jones, Mace & Co, 17 Wyndham Street, Bridgend, Glam.

Millar, Ronald Norman, A.C.A., *a*1960; Clapton & Millar, Mitre Chambers, 75 New Street, Salisbury, Wilts.

Mills, Arthur Patrick, A.C.A., *a*1955; †Layton-Bennett, Billingham & Co, 23 Blomfield Street, London EC2.

Mills, Peter Derek, A.C.A., *aS*1954; W. G. Hawson, Wing & Co, Hartshead Chambers, Sheffield 1.

§Moate, Keith Alan, A.S.A.A., *a*1961; David Moate & Co, 40/41 St Andrew's Hill, London EC4.

Moritz, Brian Michael, A.C.A., *a*1961; B. M. Moritz & Co, 8 Moorfields, London EC2.

Munyard, Roger Charles, A.C.A., *a*1956; Temple, Gothard & Co, 7/8 Norfolk Street, Strand, London WC2, and 16 Newington Green, London N16.

Nash, Harry, A.C.A., *a*1962; H. Nash & Co, 24 Rostrevor Avenue, London N15.

Park, Ian Watret, A.C.A., *a*1958; *Messenger & Kirkman, 4 King Edward Street, Oxford, and at Bicester.

Parry, Mathew Wyn, A.C.A., *a*1961; J. Llywelyn Hughes & Co, 5 Denbigh Street, Llanrwst, Denbighshire, and at Blaenau Ffestiniog.

Pizzey, John Howard, A.C.A., *a*1962; Carnaby Harrower, Barham & Pykett, 28 Queen Street, London EC4.

Prest, Charles David, A.C.A., *aS*1957; 12 The Gallop, Sutton, Surrey.

Price, Peter Norman George, A.C.A., *a*1952; †Brown, Fleming & Murray, 4B Frederick's Place, Old Jewry, London EC2.

Quayle, James, B.COM., A.C.A., *a*1955; *Reginald Statham & Co, 11 Brunswick Street, Newcastle, Staffs.

Radford, Hugh John-Fisher, A.C.A., *a*1961; Radford, McColl & Co, 12 Portland Street, and 57/61 Shirley High Street, Southampton.

Radford, Michael Gordon Victor, A.C.A., *aS*1956; Radford, McColl & Co, 12 Portland Street, and 57/61 Shirley High Street, Southampton.

Read, Derek John, A.C.A., *aS*1957; *G. W. Hunt & Co, 29 Reckleford, Yeovil, Somerset.

Rex, Norman, A.C.A., *a*1960; *Parker & Glentworth, 17 Hainton Avenue, Grimsby.

Robinson, Peter, A.C.A., *a*1953; *Hare, Robinson & Co, Barclays Bank Chambers, High Street, Barmouth, and at Portmadoc.

Roby, John Latham, F.C.A., *a*1939; W. F. Bridgwater & Scurrah, 3 Cherry Street, Birmingham 2.

Rose, Charles George Ian, A.C.A., *a*1956; Hudson Smith, Briggs & Co, Stanley Holmes & Co, and Henry Anstey, Grover & Co, St Giles House, 11 Quay Street, Bristol 1; also at London, Hudson Smith, Briggs & Co.

Ryley, Clive Bernard, A.C.A., *a*1959; Austral Ryley & Co, Central Chambers, Bearwood Road, Smethwick 41, Staffs.

Sharp, Leslie Norman, A.C.A., *aS*1956; Arnold Smith & Co, Welland House, High Street, Spalding, Lincs.

Smith, David Mowbray, A.C.A., *a*1961; Arnold Smith & Co, Welland House, High Street, Spalding, Lincs.
Smith, David Revell, F.C.A., *a*1952; Day, Smith & Hunter, Star House, Maidstone, Kent, and at Gravesend and Harrow.
Starmer, Roger John, A.C.A., *a*1961; Howard Smith, Tinkler & Co, 16 Hazelwood Road, Northampton.
Stirling, William Leslie Paul, A.C.A., *a*1952; C. Percy Barrowcliff & Co, 68/70 Corporation Road, Middlesbrough, and at Leeds, Newcastle upon Tyne and Wakefield.
Thomas, Samuel Howell Davies, F.C.A., *aS*1938; White, Williams & Co, 9 Nevill Street, Abergavenny, Mon.
Townsend, George Bernard, A.C.A., *a*1960; 14 Church Road, Shaw, Oldham.
Turnbull, Ivor Stuart, A.C.A., *a*1958; Prior & Palmer, General Buildings, Bridlesmith Gate, Nottingham.
Vaux, Philip, B.A.(ECON.), A.C.A., *a*1962; Smith, Pugh & Co, Deason House, 23 Henry Street, Keighley, and at Skipton.
Wagstaff, Arthur Benjamin, A.C.A., *a*1962; Soole & Co, 22 Southampton Place, London WC1.
Wenborn, Colin Michael, A.C.A., *aS*1955; Davie, Parsons & Co, 18 Finsbury Circus, London EC2.
Whiteley, Arnold, F.C.A., *a*1933; 32 Northumberland Street, Morecambe & Heysham, Lancs.
Wilkes, David Leslie, A.C.A., *a*1960; *Dyke, Ruscoe & Hayes, 41 Mill Street, Ludlow, Shropshire.
Witherden, David Edwin, F.C.A., *aS*1951; 60 Rochford Avenue, Little Heath, Chadwell Heath, Essex.

Readmission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was readmitted to membership under bye-law 38. One application under clause 23 of the supplemental Royal Charter for revocation of exclusion from membership was refused.

It was reported to the Council that the following readmissions, made at the Council meeting on April 4th, 1962, subject to payment of the amounts required, had become effective:

Pond, Douglas Sidney, F.C.A., Oberons Glade, Farley Heath, Guildford, Surrey.
Wicks, William Leonard, A.C.A., 'Cornerways', 1 Donaldson Road, Salisbury, Wilts.

Resignations

The Council accepted the resignation from membership of the Institute of:

Odell, George William, F.C.A., *aS*1910; 41 Sutherland Avenue, Bexhill-on-Sea.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Allen, Robert, F.C.A., Newcastle upon Tyne.
Caddick, Francis Arthur, F.C.A., Campden, Glos.
Dawson, Frederick Herbert, F.C.A., Chesterfield.
Elwell, Colin Edward, F.C.A., Wolverhampton.
Florence, George Douglas, B.COM., F.C.A., Sutton, Surrey.
Hamilton, Norman, F.C.A., Edinburgh.
Houghton, William Edward, F.S.A.A., Wylam, Northumberland.
Johns, Charles Walter, F.C.A., London.
Johnson, William Richard, M.B.E., F.S.A.A., London
Latimer, Robert Andrew, F.C.A., Liverpool.
Nickels, John Douglas, F.C.A., Bridgnorth.
Peel, Clifford Gretton, F.C.A., Horsham.
Pickering, George Atkinson, T.D., F.C.A., Chester.
Pound, Henry Illingworth, F.C.A., London.
Proudlove, Thomas, O.B.E., F.S.A.A., Sanderstead, Surrey.
Rae-Fraser, Douglas, F.C.A., Reading.
Ramsden, William David, F.C.A., Victoria, B.C.
Singer, Geoffrey Knill, F.C.A., Bridgend.
Taylor, Maurice Edward, F.C.A., Peterborough.
Vannix, Charles John, F.S.A.A., Dunstable.
Weir, William, M.V.O., F.C.A., Glasgow.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

Seventy-sixth Annual Meeting

The seventy-sixth annual general meeting of The Chartered Accountants' Benevolent Association was held on May 3rd following the Institute's annual meeting. Sir William Carrington, F.C.A., President of the Association, was in the chair.

Sir William Carrington

Sir William said: It is my pleasure and privilege to propose the reception and adoption of the report and accounts of the Benevolent Association for the year ended February 28th, 1962. There is little to add, so far as the events of that year are concerned, to what is set forth in the printed report. But I would like to give you the results, thus far, of the appeal which went out after the end of the year and to which reference has been made. We have received sixty-five donations totalling £1,580, including one most generous donation of £1,000 3½ per cent War Stock. In addition, we have received 488 new deeds of covenant for an aggregate sum of £1,625 per annum and 194 new ordinary subscriptions for an aggregate sum of £434; so we have added £1,580 to our capital and £2,059 to our income.

Now, quite frankly, ladies and gentlemen, I hope that that is only a beginning because it means that thus far, out of some 35,000 members of the Institute, less than 5,000 are members of the Benevolent Association; and frankly, I do not think that is good enough. The way this Institute has increased in numbers in recent years means that in the years to come the calls on the Association will be infinitely greater than they have been in the past and it is only right and proper that the people of the present generation should measure up to their responsibilities; because it is out of the present generation of Institute membership that the beneficiaries of future years will come. So, may I express the hope that you and the district societies you represent will do all in your power to obtain a very material

increase in the membership of the Benevolent Association? With those remarks I propose the reception and adoption of the report and I will ask the President of the Institute to second the motion.

Mr P. F. Granger: I will second that motion.

The President: Are there any questions on the report and accounts? (*A pause.*) If not, I will put that to the meeting. Those in favour? To the contrary? Carried unanimously.

Now, I would like someone from the body of the hall to propose the re-election of the honorary auditors, Mr Leonard Walter Bingham, and Mr Leonard Pells, and perhaps when their re-election is proposed the proposer would be good enough to couple with it thanks to them for their services during the past year.

Mr R. H. R. Marshall: I have great pleasure in proposing that the honorary auditors, Mr Leonard Walter Bingham and Mr Leonard Pells, be re-elected for the ensuing year and that our thanks to them for their honorary services during the past year will be recorded.

Mr E. G. Chadwick: I have pleasure in seconding the resolution.

The President: I put that to the meeting. Those in favour? Thank you, all. That concludes the business of the meeting. I thank you for your attendance.

Mr R. L. Wyllie: Mr President, may I propose a vote of thanks to you, not only for presiding at this meeting but for the work you have done for this Association over many years and for the efforts you have made in this last year to increase our funds. We deplore the fact that some of our fellow members are backward in coming forward, but we do hope that with the example which has been inspired by you this year, we may see a further increase in the figures which you mentioned earlier; and on behalf of all those here I do wish to express our very sincere thanks to you for all you have done for the Benevolent Association. (*Carried with acclamation.*)

The President: Thank you, Mr Wyllie. Thank you, ladies and gentlemen.

Taxation Case

Littlewoods Mail Order Stores Ltd *v.* C.I.R.

In the House of Lords – April 17th, 1962

(Before Viscount SIMONDS, Lord REID, Lord HODSON and Lord DEVLIN)

Stamp duty – Ninety-nine-year lease held – Shorter lease granted by landlord – This lease assigned to subsidiary – Underlease back to parent company – Subsidiary's lease exchanged for landlord's freehold – Whether assignment a transfer from one company to another – Whether deed of exchange a conveyance on sale – Stamp Act, 1891, sections 54, 55, 56, 57, 58, 59, 60, 73, Schedule – Finance (1909–10) Act, 1910, section 74 – Finance Act, 1930, section 32 – Finance Act, 1938, section 50.

The appellant company (Littlewoods) held a ninety-nine-year lease at an annual rent of £23,444 from the Independent Order of Odd Fellows, and the lease had about eighty years unexpired. On December 8th, 1958, Odd Fellows granted a lease to Littlewoods for twenty-two years and ten days at a rent of £6 a year, and there was automatically a surrender of the ninety-nine-year lease. On December 9th, 1958, Littlewoods assigned the new lease to a wholly-owned subsidiary (Fork). On December 10th, 1958, Fork executed an underlease back to Littlewoods for twenty-two years at a rent of £42,450 a year. On December 11th, 1958, a deed of exchange was made between Odd Fellows and Fork, whereby the latter assigned the lease of twenty-two years and ten days to Odd Fellows subject to an underlease by Fork to Littlewoods, and Odd Fellows conveyed the freehold to Fork subject to the lease of twenty-two years and ten days. On December 12th, 1958, Fork executed a deed guaranteeing to Odd Fellows the payment of the rent of £42,450, and charged the freehold with the payment. On December 13th, 1958, Littlewoods executed a deed of indemnity in favour of Odd Fellows against stamp duty and penalties. The effect of these transactions was that Odd Fellows conveyed the freehold to Fork, and Fork no longer held the lease of twenty-two years and ten days, and Littlewoods held the lease of twenty-two years.

The Inland Revenue claimed stamp duty in respect of the assignment on December 9th, 1958, by Littlewoods to Fork of the lease of twenty-two years and ten days, and in respect of the deed of exchange, on December 11th, 1958, whereby Fork assigned that lease to Odd Fellows and obtained the freehold. It was contended on behalf of Littlewoods that the deed of assignment of December 9th, 1958, was exempt from duty under section 42 of the Finance Act, 1930, as its effect was to convey a beneficial interest in property from one limited liability company to another; and that the deed of exchange of December 11th, 1958, between Odd Fellows and Fork, whereby the lease for twenty-two years and ten days passed to Odd Fellows and the freehold to Fork, was not a conveyance on sale.

Held (affirming the decision of the Court of Appeal): (1) the lease of twenty-two years and ten days granted by Odd Fellows to Littlewoods was a conveyance for the purposes of section 50 (1) (*b*) of the Finance Act, 1938; that section 42 of the Finance Act, 1930, applied; and that stamp duty on this transaction was payable; (2) that the deed of exchange of December 11th, 1958, by Odd Fellows to Fork, whereby the latter assigned the lease of twenty-two years and ten days to Odd Fellows, and the latter conveyed the freehold interest to Fork, was not a conveyance on sale; and that stamp duty in respect of this transaction was not payable.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS BAILEY, PAGE & CO, Chartered Accountants, of A4 Queen Insurance Buildings, 10 Dale Street, Liverpool 2, announce that Mr EDWARD HUGH PAGE, A.C.A., has been admitted into partnership as from May 1st, 1962. The name of the firm remains unchanged.

MESSRS W. F. BRIDGWATER & SCURRAH, Chartered Accountants, of 3 Cherry Street, Birmingham 2, announce that Mr JOHN L. ROBY, F.C.A., has been admitted into partnership as from April 6th, 1962. The style of the firm remains unchanged.

As from May 1st, 1962, the practice formerly carried on under the name of LUCIAN J. BROWN & NOTLEY, at Friars Chambers, Dock Street, Newport, Mon, is being continued under the name of NOTLEY & PEARSON, Chartered Accountants, at 8 Friars Street, Newport, Mon. There is no change in the partners comprising the firm, or in the location of the offices other than a different entrance. The new telephone number is Newport, Mon. 63963–4.

MESSRS FRANK A. COOPER & CO (E. DAVID BARD, F.C.A.) Chartered Accountants, of 21 Copthall Avenue, London EC2, announce that as from May 1st, 1962, they have admitted into partnership Mr JOHN E. TAYLOR, A.C.A., who served his articles with them and rejoined the staff last year. The firm's name is unchanged.

MESSRS FOLKES & CAMPBELL, Chartered Accountants, announce that as from May 1st, 1962, they have taken into partnership Mr JOHN RODERICK MIDDLE, B.A., A.C.A., who joined the firm in 1951. The practice will continue to be carried on under the name of FOLKES & CAMPBELL, at 15 and 17 Church Street, Stourbridge.

MESSRS H. NOEL FRENCH, ORMROD & CO, Chartered Accountants, of 3 Fenwick Street, Liverpool 2, regret to announce that Mr H. Noel French, F.C.A., who founded their firm in 1896, died on April 16th, 1962. [An obituary notice appears on another page of this issue.]

MESSRS HAYS, AKERS & HAYS, Chartered Accountants, of 30 Cursitor Street, London EC4, announce the retirement from the partnership at April 30th, 1962, of Mr A. D'AGAPEYEFF, A.C.A., on his appointment to the board of Computer Analysts and Programmes Ltd.

MESSRS HILTON, SHARP & CLARKE, Chartered Accountants, announce that by mutual consent the London partners, Mr G. P. CLARKE and Mr C. M. BAKEWELL, resigned from the partnership on April 30th, 1962. The practice will continue to be carried on by the remaining partners, Messrs G. R. CRONE, W. A. SUTHERLAND and A. G. LEE from 12–13 Ship Street, Brighton 1, and the style of the firm will remain unchanged.

MESSRS MCCLELLAND, MOORES & CO, Chartered Accountants, Glasgow, announce that Mr J. GORDON HAMILTON has been assumed as a partner as from May 1st, 1962.

MESSRS ROOKE, HOLT & CO, Chartered Accountants, of 83 Ebury Street, London SW1, announce that Mr PETER DAVID LYON-MARIS, A.C.A., has been admitted as a partner as from May 1st, 1962. The name of the firm remains unchanged.

MESSRS SAKER & DAVIS, Chartered Accountants, of Dashwood House, Old Broad Street, London EC2, announce that as from May 1st, 1962, certain sections of their practice will be continued in association with MESSRS HARMOOD-BANNER, CASH, STONE & MOUNSEY, who, with associated firms have offices in London, Liverpool, Portsmouth, Southampton, Chester, Manchester, Wrexham, Dublin, Lagos and Nairobi. Mr R. LANGDON DAVIS will continue as senior partner and will be joined by MR R. A. W. CAINE, MR L. H. CLARK, Mr M. H. CABOURN SMITH, MR G. H. HOVEY and MR G. E. HEDGMAN. The close and happy association between Mr LANGDON DAVIS and Mr JAMES DE MESTRE will continue in unison with the additional partners. Other sections of the practice will be continued by Mr R. LANGDON DAVIS as a separate firm under the style of SAKER & LANGDON DAVIS.

MESSRS STOY, HAYWARD & CO, Chartered Accountants, of 97 and 99 Park Street, London W1, announce that Mr H. TARLEY, F.C.A., retired from the partnership on April 30th, 1962.

MR H. TARLEY, F.C.A., announces that, with effect from May 1st, 1962, he has commenced to practise at Clements House, Gresham Street, London EC2.

MESSRS WENHAM BROTHERS & CO, Chartered Accountants, and Messrs MAJOR & CO, Chartered Accountants, announce that they have amalgamated their practices as from May 1st, 1962. On the same date the amalgamated practice was joined by the London partners of Messrs HILTON, SHARP & CLARKE, Mr G. P. CLARKE and Mr C. M. BAKEWELL, and also by Mr D. MORGAN JONES who has for some time been a member of the staff of Messrs WENHAM BROTHERS & CO. The partners of the new firm, which will practise under the firm name of WENHAM, MAJOR & CLARKE, will be Messrs R. H. BURDON-COOPER, G. P. CLARKE, A. M. M. BURDON-COOPER, C. M. BAKEWELL and D. MORGAN JONES who will be resident in London, and Messrs E. P. MAJOR, J. D. BECK, D. F. DODD, G. S. MAJOR and P. A. WHITEHEAD who will be resident in Birmingham. For the time being the practice will be carried on from the present addresses in London, Birmingham and Walsall.

MESSRS WRIGHT, STEVENS & LLOYD, Chartered Accountants, of Norfolk House, 7 Laurence Pountney Hill, London EC4, announce that MR ARTHUR C. MCMILLAN, C.A., and Mr MICHAEL GOSLING, A.C.A., have been taken into partnership as from May 1st, 1962. The name, address and telephone number of the firm remain unchanged.

Appointments

Mr L. J. Barry, A.A.C.C.A., has been appointed chief accountant of the Electricity Supply Board, Dublin, in succession to Mr Joseph Fogarty, B.COMM., A.C.A., who has retired.

Mr J. W. Bowerman, F.C.A., financial comptroller of Niarchos (London) Ltd, has been appointed a director with effect from May 1st, 1962.

Mr H. L. Cadoux-Hudson, M.A., A.C.A., managing director of Charterhouse Credit Co Ltd, has been elected to the committee of management of the Finance Houses Association.

Mr P. Ewen, F.C.A., has been appointed a director of Westinghouse Brake & Signal Co Ltd.

Mr Donald Giles, F.C.A., has been appointed a director of Burtonwood Engineering Co Ltd.

Mr J. W. Hearnshaw, F.C.A., has been appointed a director of The John Folkes Group Ltd.

Mr Peter Hemingway, F.C.A., has been appointed secretary of Leeds Permanent Building Society.

Mr W. R. Jones, F.C.A., secretary of J. W. Jackman & Co Ltd, has been appointed a director of the company.

Mr T. D. Kelly, F.C.A., has been appointed a director of The Warwick & Warwickshire Permanent Building Society.

Mr H. T. Nicholson, F.C.A., has been elected chairman of R. E. Jones Ltd and its subsidiaries in succession to Mr D. V. House, F.C.A., who has resigned following his appointment to the Restrictive Practices Court.

Mr J. M. T. Ross, M.A., A.C.A., has been appointed managing director of Ross Trawlers Ltd.

Mr W. J. Willcocks, F.C.A., has been taken into partnership by Capel-Cure Linton, Clarke & Co, stockbrokers.

Mr Leonard A. Woodburn, F.C.A., has been appointed a director of The International Tea Company's Stores Ltd.

OBITUARY

Mr Herbert Noel French, F.C.A.

We have learned with regret of the death on April 16th, at the age of 91 of Mr H. Noel French, F.C.A., of Heswall, Cheshire. Mr French served his articles with the late Mr T. W. Read, who was a leading Liverpool accountant and who played a prominent part in the establishment of the Institute in Liverpool.

Admitted a member of the Institute in 1894, Mr French started in practice in his own name in 1896 and founded the firm of H. Noel French, Ormrod & Co, Chartered Accountants, of Liverpool. In 1919 he left the firm in order to take up an appointment in industry where he continued right up to the time of his death.

Mr French had many outside interests in the course of his long life. Apart from serving on numerous committees, where his business acumen and integrity were held in the highest esteem, he had a great love of music and was particularly attracted to the organ. In spite of his advanced years he had very many friends of all ages.

Always a great believer in doing good in secret, very few knew the full extent of the help and encouragement he gave to those who had the privilege of knowing him. Many will join with his widow and daughter in mourning the passing of a true gentleman.

GRADUATED CONTRIBUTIONS

New Draft Regulations

The Minister of Pensions and National Insurance has asked the National Insurance Advisory Committee to consider and report on draft regulations[1] concerning graduated contributions in respect of holiday pay. These regulations make a technical amendment to secure that for the purpose of graduated contributions, certain holiday payments can be treated as forming part of the employee's ordinary series of payments even though calculated on a quite different basis.

The Committee will consider representations on these draft regulations received by them not later than May 22nd, 1962. Representations should be made in writing and should be sent to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London WC2.

PREVENTION OF FRAUD: INVESTMENTS

The 1962 edition of the annual publication *Particulars of Dealers in Securities and of Unit Trusts under the Prevention of Fraud (Investments) Act, 1958*, containing particulars of persons and firms authorized to carry on the business of dealing in securities as at January 31st, 1962, has now been issued by the Board of Trade. The publication contains the names and addresses of holders of principals' licences, of members of stock exchanges and of associations of dealers in securities which are recognized by the Board, and of exempted dealers. Particulars of unit trusts schemes authorized by the Board are also included. Copies from H.M.S.O., price 3s 6d.

EXPORT CREDITS GUARANTEE DEPARTMENT

Nottingham and Manchester Offices

The Nottingham Office of the Export Credits Guarantee Department has moved to Equitable House, Old Market Square, Nottingham; the telephone number remains unchanged – Nottingham 46585, and the office is now also available through the telex service – number 37566.

The Manchester Office of the department has moved to Britannic Building, Fountain Street, Manchester 2, telephone number Blackfriars 6236, telex 66756. The move is a temporary one pending a permanent move to a building now under construction in the central area.

[1] *The draft National Insurance (Assessment of Graduated Contributions) Amendment Regulations, 1962.* H.M.S.O. Price 3d.

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THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

International Congress Charter Flight

The Association of Certified and Corporate Accountants has arranged a charter flight London/New York/London from September 6th–30th at a cost of £64 per passenger return for members wishing to attend the Eighth International Congress of Accountants.

The charter flight is open to all members of the Association and their immediate dependants. We are asked to say that there is a small number of seats still available and any members interested in joining the flight should write immediately to the Secretary, 22 Bedford Square, London WC1, for further details.

CHARTERED ACCOUNTANTS' WEEK-END CONFERENCE

The third week-end conference arranged by Messrs Thornton Baker & Co, Chartered Accountants, took place recently at University College, Oxford.

Over one hundred members of the firm including partners and office managers were present. Talks, which were followed by discussions and questions, included 'Raising money for clients', 'Computers', 'The work of an issuing house' and 'Investigations by the reporting accountant for a public issue prospectus'. On Saturday afternoon there was an informal discussion on matters of general interest for local partners, managers and seniors of the firm. Sunday morning was left free and the course concluded on Sunday afternoon with a general discussion under the title of 'Pool of knowledge', at which members were able to raise matters of general interest.

THE EAST ANGLIAN CHARTERED ACCOUNTANTS' STUDENTS' ASSOCIATION

At the recent annual meeting of The East Anglian Chartered Accountants' Students' Association, the following officers were elected for the year 1962–63:

President: Mr B. W. Barbour, A.C.A.
Vice-President: Mr G. Wadwell, F.C.A.
Hon. Treasurer: Mr R. M. Burgess.
Hon. Secretary: Mr R. D. G. Wardle, Slater, Dominy & Swann, Sussex House, Hobson Street, Cambridge.

CONFERENCE ON INVESTMENT

'Investments in the Common Market' will be the theme of a one-day conference organized under the auspices of the *Investors Chronicle* to be held at The Connaught Rooms, Great Queen Street, London WC2, on May 17th.

The opening address will be given by Lord Robbins, C.B., B.SC.(ECON.), M.A., D.LIT., L.H.D., LL.D., F.B.A., and subjects of other addresses will include investment in West Germany, Italy, Belgium, Holland and France. 'The British viewpoint' will be given by Mr Harold Wincott, Editor-in-Chief, *Investors Chronicle*. The organizing secretary is Mr Philip Syrett, Angel Court Consultants Ltd, 4 Angel Court, London EC2, to whom all applications for tickets should be addressed.

'CITY OF LONDON' COURSE

Sixty senior banking and insurance officials from nineteen countries will visit the City of London shortly under arrangements made by the British Council. The officials are coming at their own expense as members of the British Council's ninth annual 'City of London' course from May 20th–June 1st.

Lord Ritchie of Dundee, Chairman of the London Stock Exchange, is chairman of an advisory committee consisting of leading members from representative organizations of the City which are co-operating with the Council in the arrangements for the course. The director of studies will be Mr W. Manning Dacey, economic advisor to Lloyds Bank.

The main part of the course will consist of a series of lectures by experts describing their daily work. Subjects will include central banking, the operations of clearing banks, merchant banks, the discount market, the Stock Exchange, and the activities of London in the sphere of shipping. Consideration will also be given to the role of the insurance companies both as underwriters and investors, and to Lloyd's of London.

In addition, there will be visits to a number of City institutions, including the Bank of England, the Stock Exchange and the underwriting room at Lloyd's, and The Port of London Authority has invited the entire party to a tour by launch of the Royal Docks.

BEST BUILDING SOCIETY ACCOUNTS

The 'Sir Harold Bellman' Challenge Cup

The 'Sir Harold Bellman' Challenge Cup for the best-produced public accounts of a member of The Building Societies Association has been made this year to The City of London Building Society. Second place was awarded to the Grainger & Percy Building Society and third place to the Eastern Counties Building Society.

Thirty-five societies submitted their accounts for the competition and the accounts entered for the award were assessed on May 3rd. The cup will be presented to the Society on June 7th, at the Association's annual conference at Eastbourne.

ACCOUNTING BODY'S NEW REGULATION

Following the thirtieth annual general meeting of the Association of International Accountants on April 30th, a special resolution was passed at an extraordinary general meeting providing for the addition of a new article to the Association's regulations stipulating that no member of the Association shall practise

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the profession of accountancy without having in force a certificate issued by the Association authorizing him to so practise.

Practising certificates will not be issued to members of the Association unless they have served under articles of clerkship with a qualified person or have been employed for a continuous period of not less than thirty months in a responsible position on public accountancy work by a qualified person. 'Qualified person' means a practising member of the Association who is himself the holder of or eligible to receive a practising certificate, or a person qualified for appointment as auditor of a company under section 161 (1) (*a*) of the Companies Act, 1948.

The conditions for the issue of a practising certificate will not apply to members of the Association admitted prior to December 31st, 1961, or to registered students or licentiates who were registered with the Association as at that date and who qualify and are admitted to membership of the Association within the three years next following that date.

ASSOCIATION OF SUPERANNUATION AND PENSION FUNDS

The fortieth annual general meeting of The Association of Superannuation and Pension Funds will be held at the Botanical Gardens, Edgbaston, Birmingham, on June 6th, commencing at 10 a.m. This will be followed by a regional conference which will have as its theme 'Pensions and inflation'.

Papers will be read by Professor Francois Lafitte, Professor of Social Policy and Administration, University of Birmingham; Mr A. C. G. Ponsonby, managing director, Helbert, Wagg & Co Ltd; and Mr L. K. Cope, chief superannuation officer, Birmingham Corporation. Further information regarding the conference is obtainable from the secretary of the Association, Bank Chambers, 329 High Holborn, London WC1.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Wood Cup

The annual match between the Association of Scottish Chartered Accountants in London Golf Club and the Chartered Accountants' Golfing Society for the Wood Cup was played at the Berkshire Golf Club on April 27th. The contest consists of Stableford foursomes competitions under handicap for the Red and Blue course rounds and over thirty-six holes. The six best scores of both the Scottish and English Societies decide who shall hold the cup for the year. On this occasion the Scottish Society won by 378 points to 360 points; the details as given in the next column.

C.A.G. Society	*points*
(1) E. H. Head and H. C. Staines	62
(2) J. F. Sloan and A. W. Coleman	62
(3) D. G. Richards and P. Hughes	62
(4) P. G. Barber and J. Shaw	62
(5) J. H. Bradfield and P. Knight	56
(6) A. B. Green and A. D. Inglis	56
	360

Scottish Association	*points*
(1) C. A. Murray and R. M. Hogg	69
(2) M. J. Knox and I. R. Sinclair	64
(3) A. D. Knox and A. Craig	64
(4) J. D. St. C. Harrison and M. G. M. Haines	62
(5) P. J. Binns and A. C. N. Ferguson	60
(6) R. J. Drummond and W. S. Coghill	59
	378

Prize winners (no pair could take more than one prize) were:

	points
Thirty-six holes	
First: C. A. Murray and R. M. Hogg	69
Second: D. G. Richards and P. Hughes	62
Red Course	
First: M. J. Knox and I. R. Sinclair	36
Second: J. F. Sloan and A. W. Coleman	35
Blue Course	
First: A. D. Knox and A. Craig	35
Second: R. J. Drummond and W. S. Coghill	31

Future Events

The following fixtures have been arranged for 1962:

May 12th–13th: Annual Meeting, Royal Porthcawl Golf Club.
June 22nd: Summer Meeting, Stoke Poges Golf Club.
October 5th: Autumn Meeting, Liphook Golf Club.

A. O. Miles Challenge Cup 1962

The draw for the first and second rounds is as follows:

First Round to be played by May 28th.	*Second Round to be played by June 11th.*
	BYE: Stanley Blythen
	BYE: Hays, Aker & Hays
	BYE: Pannell, Crewdson & Hardy
Kemp, Chatteris & Co Broads, Patterson & Co	— — — — — — —
Herbert Hill & Co Reads, Cocke & Watson	— — — — — — —
	BYE: Harmood-Banner, Cash Stone & Mounsey
	BYE: Barton, Mayhew & Co
	BYE: Futcher, Head, Smith & Co

The semi-final is to be played by July 2nd and the final by July 23rd.

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THE ACCOUNTANT

ESTABLISHED 1874

MAY 19TH, 1962 VOL. CXLVI. NO. 4561

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CONTENTS

Page

Tax on Company Land Sales 637

Irish Institute Innovation 639

Profits Tax: Effect of Change of Business
by *T. J. Sophian* 640

Terms Used in Published Accounts of Limited Companies – III 643

Weekly Notes
The Pound in Peril – Cost Accountants' New President – Professional Trustees' Remuneration – Model Accounts – Modest Progress on E.C.M. 650

This is My Life . . .
by *An Industrious Accountant* 652

Finance and Commerce
The Cornhill Insurance Co Ltd – Equity & Law Life Assurance Society Ltd – City Notes – Rates and Prices 653

Correspondence
The Training of Accountants – Deposit Account Interest – Assessment Query 656

Taxation Case
De Voil *v.* Welford Gravels Ltd 657

Decimal Currency
Memorandum of The Institute of Chartered Accountants in England and Wales 658

The Institute of Chartered Accountants in Ireland
Annual Meeting 659

The Institute of Cost and Works Accountants
National Cost Conference 662

Notes and Notices 665

The Institute of Chartered Accountants of Scotland
Examination Results, April 1962 667

Tax on Company Land Sales

THE new short-term gains tax under Case VII of Schedule D will hit the proceeds of resale of most land bought within the previous three years and after April 9th, 1962. One might reasonably have expected the Government to be content with Case VII, without at the same time broadening the scope of Case VI. However, clause 20 of the Finance Bill seeks to tax every company which has a long-term gain from land (acquired after April 9th, 1962) if any person 'connected with' the company is as it were tainted with a trade of land dealing or development.

Covering well over three pages and having fourteen sub-clauses, clause 20 has the unenviable distinction of being the longest in a Bill of long clauses. Perhaps the kindest thing which can be said about it is that if the comparatively minor extension of the scope of income tax which it seeks to impose cannot be achieved without enacting provisions of such baffling complexity, it would be far better to leave well alone.

The House of Lords has held that a purchase and sale does not produce a taxable profit unless made by way of trade. The Income Tax Acts do not define 'trade' beyond saying that it includes manufactures, adventures and concerns in the nature of trade. Activities, like statements, are infinitely variable. In matters of libel it has been said that words are defamatory if the twelve jurymen trying the case think they are. Similarly, a group of activities constitute a trade if the Appeal Commissioners hearing an appeal think so. It is not entirely a matter of fact, and there can be successful appeals, but the precise point at which a superior Court will intervene and set aside the Commissioners' finding as being unreasonable or unsupported by evidence, cannot be predicated with any certainty. In most cases an appeal from the Commissioners on these grounds is a gamble. Numerous as the reported decisions are, they are of only limited help.

Significant in the context of clause 20 is *Glasgow Heritable Trust Ltd v. C.I.R.* (32 A.T.C. 3, 300; 33 A.T.C. 151), where, after two remits, the Scottish Court of Session reversed the Special Commissioners' finding that the company was trading. A firm of speculative builders, whose business had become dormant in 1909, had a number of unsold let properties which were heavily burdened with mortgages. In 1918 the members of the firm promoted the company and sold forty-six of the properties to it for shares, the company taking over the liability on the mortgages. The company sold properties sporadically from 1918, and although its memorandum of association gave it trading powers, it was not at first assessed as a dealer in property. As from

1945 sales were stepped up and the Inland Revenue then raised assessments under Case I of Schedule D, which assessments the Special Commissioners upheld on appeal.

It seems to have been conceded that if the firm had retained the properties and then sold them, the sales would have been trading sales, the properties being stock-in-trade of the old business. The Special Commissioners asserted in the stated case that the intermediate sale to the company 'made no difference'. They said they regarded themselves as entitled to take into account the earlier activities of the firm and the fact that the partners and their families were the principal shareholders. The Court of Session held that the Special Commissioners had proceeded on a wrong basis, and the assessments were discharged. This can be said to be one of the many illustrations of the fundamental principle enshrined in the House of Lords' decision in *Salomon v. Salomon & Co Ltd* ([1897] A.C. 22), namely, that a company is not the agent of its shareholders.

Property speculators have not been slow to seize advantage of the Scottish Court's decision. How much revenue has been lost thereby cannot be known, but clause 20 is evidently intended to close the gap. It is, however, so drawn that it is likely to make the innocent suffer with the guilty. Subclause (1) imposes Case VI liability on the profit arising to a 'landowning company' on the disposal of its land, where two conditions are both satisfied. One has to ask two questions:

(*a*) Would a person who carried on the activities of the company, together with any 'related activities', be regarded as carrying on a trade of dealing in or developing land?

(*b*) If that person had disposed of the land, would the proceeds be regarded as a trading receipt of that trade?

To these questions there can be no certain answer; the first subclause plunges us at once into what Mr Justice DANCKWERTS called 'a dim world peopled by the indeterminate spirits of fictitious or unborn sales'.

What are 'related activities'? They are of two kinds:

> '(*a*) the activities with respect to land of any person with whom the company is *connected* at the time of the disposal; and
>
> (*b*) the activities with respect to land of any company not within paragraph (*a*) above, being activities of that company at a time when it was under such *control* as would have brought it within paragraph (*a*) above, if it had not ceased to be under that control, or ceased to exist, or both.'

This unilluminating definition at once gives rise to two further questions: When is a company 'connected with' a person? and What is the 'control' mentioned in (*b*)? The trail now leads to subclause (14) which says that 'control' has the same meaning as in section 333 of the Income Tax Act, 1952, subject to subclause (13). This subclause (13) extends the meaning of 'control', for clause 20 purposes, in two ways, (*a*) and (*b*). Under (*a*), a person or group has control if he or they

> 'can determine the manner in which one-half of the votes which could be cast at a general meeting of a company are to be cast on matters not of such a description as to bring into play any special voting rights or restrictions on voting'.

To the simple minded, this seems like a definition of the absence of control.

Under (*b*) the person or group has control if he (or they)

> 'is entitled to one-half of the profits of a company distributed by way of dividend, or would be entitled in the winding-up of a company to one-half of the net assets'.

A person who controls a company also controls, for clause 20 purposes, the companies controlled by the company.

This paves the way to finding out what 'connected with' means. Subclause (14) refers the reader to paragraph 18 of the Ninth Schedule, which deals with the same matter in relation to Case VII. But subclause (14) adds the warning that in paragraph 18 'control' is to have the extended meaning given to it by subclause (13).

An individual is 'connected' with (i) his spouse; (ii) his partner; (iii) his relative (i.e. brother, sister, ancestor or lineal descendant); (iv) a relative of his spouse or partner; (v) the spouse of any of the individuals in (ii), (iii) and (iv); (vi) a settlor of any settlement of which the individual is trustee (but this applies only to the person's capacity as trustee).

(To be concluded.)

Irish Institute Innovation

AS the report and accounts of its Council confirm, 1961 has been another busy and fruitful year for The Institute of Chartered Accountants in Ireland. Income from all sources rose by £1,135 to a record total of £14,357 and, despite increases in administration expenses and the net cost of examinations, both occasioned by the natural development and expansion of Institute activities, a surplus of £1,090 was achieved. This was added to the accumulated fund which at December 31st, 1961, stood at £18,112. At that date, the total membership of the Institute was 1,713 which is a net accretion of sixty over the year. It is interesting to note that just over 80 per cent of members are resident in Ireland.

At December 31st, 1961, there were 810 clerks currently serving under articles as compared with 730 the year previous. The number of new articles of clerkship registered during 1961 remained steady at 217. The last Final examinations of the Institute under the old syllabus were held in May and November when seventy-seven candidates passed. Under the new syllabus whereby the examinations are divided into five annual parts, 484 candidates in all were successful. As the total number of candidates sitting various examinations during the year was 1,203, the overall percentage pass was nearly forty-seven.

The Institute did not hold a residential conference in 1961 but one is being planned for October of this year. The venue is Newcastle, Co. Down. Instead, the Belfast Society of Chartered Accountants held a week-end conference at Portstewart, Co. Londonderry, last October at the same time as the Dublin Society of Chartered Accountants were in residence for a similar purpose at Tramore, Co. Waterford. October seems to be a time much favoured by Irish chartered accountants for their functions because the 1961 Institute dinner was held at the Gresham Hotel, Dublin, also in that month.

The retiring PRESIDENT's address – which we reproduce in this issue in a report of the seventy-fourth annual meeting of members held in Dublin on May 5th – is an admirable statement of the policy and aims of the Institute in matters of professional education and training. The proposed appointment of a full-time director of studies will help to co-ordinate the examination preparations of students and to ensure that the best uses are being made of the facilities provided for them. The decision to augment the existing libraries and, perhaps, to sponsor new textbooks is likewise a positive step which should further improve existing standards. Mr DAWSON's cautionary word to practising members about being discriminating in their selection of clerks will certainly not be taken amiss. Despite the intense competition created by commercial concerns with powerful inducements of almost immediate rewards in return for the minimum of study, the long-term prospects of entrants to the accountancy profession are superior, but they will remain so only if the high levels which the profession has set for its members are maintained, and that can best be done by attracting the finest material from the schools and universities. At the other end of the clerk's training, the PRESIDENT rightly refers to the importance of acquiring post-qualifying practical experience. Too many young chartered accountants rush into industry too soon and the consequent harm so often caused affects not only themselves but their commercial employers and, indeed, the accountancy profession itself.

Partly as a corrective to this precipitancy and partly as a means of better equipping members for the wide variety of services they are now expected to perform, the Council is considering extending fellowship status to non-practising members of the Institute. The opinions of members on what basis future fellowships generally should be awarded is now being sought and Mr DAWSON openly affirms that, in his own view, the only worth-while basis is by 'academic achievement' and examination and not merely by the efflux of time. In this he will have many supporters as well as a number of opponents and the outcome of this proposed innovation will be watched with keen interest by the profession at large.

Profits Tax: Effect of Change of Business

New Principle relating to Distribution

by T. J. SOPHIAN

POINTS of considerable interest with regard to profits tax were determined in the recent case of *E.Y.L. Trading Co Ltd v. C.I.R.* (40 A.T.C. 341).

Material Facts

The company was incorporated in 1941 with a share capital of 20,000 £1 shares, of which 8,002 ordinary and 1,000 5 per cent Preference shares had been issued.

On February 19th, 1955, the company sold its business and assets, with the exception of cash and investments, and on March 17th, 1955, transferred its credit balance of £297,341 odd to a new bank and changed its name the next day. On March 31st, 1955, this credit balance, together with interest earned on this sum in the meantime, was transferred to a new account in the name of the new company. New directors were appointed and resolutions were passed approving the transfer of the 1,000 Preference shares and 8,000 of the Ordinary shares to the W. company. The two remaining Ordinary shares were transferred to the W. company and one of the directors.

On the same date, March 31st, 1955, the directors passed a resolution that, as from that date, the company should be an investment company; while on April 1st, 1955, a sum of £288,327 odd, representing tax-free dividends of £27 10*s* 5*d* on the Preference shares and £288,300 on the Ordinary shares, was paid out of the above-mentioned credit balance of £297,647 odd to the W. company, and the balance of £9,319 odd was transferred to a new bank account.

In, and subsequently to, June 1955, the company bought and sold investments, and was treated as from this time by the Inland Revenue as an investment company. As at March 31st, 1955, the company's profit and loss account was credited with £305 odd as interest, and the balance sheet showed £9,002 in respect of share capital and £288,645 as revenue reserve. The assets at that date were shown as consisting of some £299,647 cash at bank.

To come within the charge to profits tax, it must be shown that a trade or business has been carried on; but section 19 (4) expressly ropes in the *holding* of investments by providing that it is to be *deemed* to be the carrying on of a business. Thus the mere receipt of compensation moneys under the Coal Industry Nationalization Acts would not be sufficient to constitute such a holding of an investment. (*Henry Briggs, Son & Co Ltd v. C.I.R.* (39 A.T.C. 437).) In this case a former colliery company continued in existence for the sole purpose of receiving the compensation moneys due, after the receipt of which it was the intention of the company to go into liquidation. It carried on no trade or activity.

This company was a subsidiary of the appellant company to whom it paid dividends, apparently out of the compensation moneys. The appellant company contended that these dividends were franked investment income which accordingly ought to have been excluded from the computation of their profits for profits tax purposes. Accordingly, it became necessary to determine whether the subsidiary was to be deemed to have been carrying on a business by virtue of section 19 (4), that question again depending on whether it could be said of the subsidiary that its functions were that of holding investments or property.

The House of Lords held that 'functions' and 'holding' could not be given so wide a meaning in section 19 (4), for whenever a company ceased to carry on its ordinary business, but did not immediately start a new business or go into liquidation, its functions would be to 'hold' its assets, i.e. 'property' (except in the unlikely case where the company had no assets at all), and the company, without carrying on any activity of any sort, could be deemed to be carrying on a trade. Sitting and waiting to collect compensation moneys as they fell due would not be so regarded. There would be no element in that of any object of making profits.

New Principle

Further, deeds and not words are necessary to prove that the functions of a company consist in the holding of investments. Accordingly, the mere passing of resolutions will be entirely ineffective unless they are implemented. This appears to be a new principle, which was determined in the *E.Y.L. Trading Co* case. Accordingly the company was held to have become an

investment company only when it started dealing in investments with a view to profit, in June 1955, and not when the directors passed, on March 31st, 1955, the resolution that the company was to be an investment company.

This determination that the company became an investment company in June 1955, and not at the date of the directors' resolution, immediately raised fresh problems as to the selection of the appropriate chargeable accounting period. Under section 20 (2) of the Finance Act, 1937, certain rules are laid down for the selection of the appropriate period. When the accounts of the trade or business are made up for twelve monthly periods, without any break, each such period will rank as a 'chargeable accounting period'. Where they have previously been so made up but have ceased to be made up in this way at the material time, then the Commissioners are given the option of declaring what periods, not in excess of twelve months, are thereafter to be treated as chargeable accounting periods.

According to the facts in the case, the accounts of the company had been made up for successive periods of twelve months ending on March 31st, up to the period ending March 31st, 1955, and the company therefore contended that as the twelve-monthly periods were 'successive' ones so that there was no break between the periods, the Commissioners could not exercise any right to select some other period, as they had purported to do by their selection of the period April 1st, 1954, to February 19th, 1955, the date on which the company had sold its business and assets (except cash and investments).

Distinction in Relation to Accounts

There is, however, a subtle distinction to be drawn, it might be said inferentially, from the language of section 20 (2): the accounts of a *trade carried on* by a company are one thing; the accounts of the *company itself* are something quite different. The periods of the two accounts might coincide or they might not. In the *E.Y.L. Trading Co* case, the period of the accounts differed from that of the company. The company's accounts were made up for twelve months ending March 31st, 1955, in the same way as for previous years. The accounts of the company's business, on the other hand, were not, and could not be, made up for the same twelve-month period ending March 31st, 1955, if only for the simple reason that the company had sold its original business of steel stockists on February 19th, 1955, on which date its business had automatically ceased. There was then a gap to June 1955, during which period no business or activity had been carried on.

In any view, as the directors' resolutions that the company should become an investment company were not passed until March 31st, 1955, there was still a gap between the sale of its business on February 19th, 1955, and March 31st, 1955, during which period there was no business or activity of any sort. It could not be said, therefore, that the accounts of the company's *trade or business* had been made up for a full twelve months period down to March 31st, 1955. That being so, there arose the right conferred by section 20 (2) (*b*) on the Commissioners to select what should be the appropriate accounting period. The last successive twelve-month period to which the accounts of the company had been made up on this view was the twelve months ending March 31st, 1954, and the next accounting period became the one that the Commissioners had selected, i.e. the period from April 1st, 1954, to February 19th, 1955.

Last Chargeable Accounting Period

The final question was as to what was to be regarded as the *last* chargeable accounting period of the business hitherto carried on by the company before it altered its status to that of an investment company. Was this period, April 1st, 1954, to March 31st, 1955, in which the break occurred, to be treated as the last chargeable accounting period?

The company, of course, carried on the activity of an investment company after March 31st, 1955, so that it was bound to have subsequent chargeable accounting periods, and in a sense, one could not say what would be its last chargeable accounting period until such time as the company went into liquidation or otherwise became defunct. Incidentally, determination of the last chargeable accounting period assumed importance on the facts of this case since the company, in the interval between ceasing its steel stockist business on February 19th, 1955, and commencing the new function of an investment company on June 19th, 1955, had, on April 1st, 1955, distributed the tax-free dividends of £27 10s and £288,300 on the Preference and Ordinary shares, respectively.

Section 35 (1) (*c*) of the Finance Act, 1947, becomes material in this connection, as it deals with the question of gross relevant distributions. At the same time, it should be pointed out that the Finance Act, 1958, changed the basis of the charge to profits tax and swept away the old

reliefs for non-distribution and distribution charges, as regards all chargeable accounting periods ending on or after April 1st, 1958. In the *E.Y.L. Trading Co* case, however, the periods still fell within the scope of the repealed provisions of section 35 of the 1947 Act. Under that section the gross relevant distributions to proprietors would be the total of the distributions, excluding distributions allowable as deductions in the computation of profits tax profits. They would comprise, firstly, dividends declared not later than six months after the end of the relevant period and expected to be paid in respect of that period or any part of such period (paragraph (*a*)); secondly, distributions other than dividends which, under paragraph (*a*) were to be treated as part of the gross relevant distributions for any previous chargeable accounting period (paragraph (*b*)); thirdly, in the case of the last chargeable accounting period in which the trade or business was carried on, so much of any distribution made after the end of that period (not being a distribution (within paragraph (*a*)) as was not a distribution of capital (paragraph (*c*)). For this last purpose, however, a distribution would not be treated as a distribution of capital to the extent to which it exceeded the total nominal amount of the paid-up share capital, plus any share premiums.

Now in the *E.Y.L. Trading Co* case the dividends in question were paid on April 1st, 1955, which was a date falling within the intervening period between the cesser of the original business on February 19th, 1955, and the commencement of the investment 'business' in June 1955. The nominal paid-up share capital of the company was £20,000 and the total distributions by way of dividends were £288,327 10*s*. If the period April 1st, 1954, to February 19th, 1955, was to be treated as the last accounting period of the company's trade as steel stockists, then the excess of the distributions over £20,000, the nominal paid-up capital, would be caught by the above paragraph (*c*). The company's contention, however, was that this distribution by way of dividends was to be treated as a distribution under paragraph (*b*) of a subsequent accounting period.

In this connection, the decision of the House of Lords in *C.I.R. v. J. B. Hodge & Co (Glasgow) Ltd* (40 A.T.C. 232) is relevant. There, a company carried on its trade from 1941 to April 5th, 1950, and obtained, during this period, non-distribution relief under section 30 (2) of the Finance Act, 1947. On April 5th, 1950, the company sold its trading assets and commenced a new business as an investment company. On March 18th, 1955, the company went into liquidation and distributed in the liquidation sums in excess of its nominal paid-up capital. The question arose whether the company's last chargeable accounting period was the period November 1st, 1954, to March 18th, 1955 (the date of winding up). The company contended that the profits which were distributed in the liquidation were the property of its former trade, and as that trade was not being carried on during the accounting period in question, it was not liable to a distribution charge under paragraph (*c*) of section 35 (1) of the Finance Act, 1947. In other words, the contention of the company was that the last chargeable accounting period of a trade meant the last accounting period in which that trade was being carried on.

Is Some Trading Necessary?

The House of Lords, basing its decision partly on section 43 of the 1947 Act (by which all trades carried on were to be treated as one trade), rejected the company's contention. The scheme of the 1947 Act, in the view of the House, was that the profits of each chargeable accounting period could no longer be put into separate water-tight compartments, as it were.

It was enough that during the relevant chargeable accounting period for which the assessment was made, a trade was being carried on, it being irrelevant whether it was the same trade or a new trade. If a trade was being carried on during the relevant chargeable accounting period, all that it was necessary to inquire was whether or not the company had, during that same period, made distributions (from whatever profits of whatever trade such distributions were made being immaterial) in excess of its nominal paid-up capital. Therefore, the fact that the trade from which the profit out of which the distribution was made was not being carried on, though some of the trade was in operation, during the relevant chargeable accounting period, was irrelevant.

In the *E.Y.L. Trading Co* case, however, the point was slightly different in that the distribution was made in a period during which *no trade at all was being carried on;* this period being between the cesser of one trade and the commencement of another. In holding in this case that paragraph (*c*) applied to the distribution, although it was made in a period when no trade at all was being carried on, the Court must be regarded as having extended the principles of the *Hodge* case in which a trade, though a different one, was in fact being carried on at the time.

Terms used in Published Accounts of Limited Companies—III

ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Exceptional or non-recurring items and adjustments for previous years (excluding tax)

IN some accounts these items are indicated in the narrative for the principal item of income, for example, '. . . including credits relating to earlier years £ . . .'. Generally, however, such items are shown as a separate amount under a general designation such as 'non-recurring income'. Many descriptions are used including such adjectives as 'exceptional', 'non-recurring' and 'extraneous'. Occasionally there is an indication of the circumstances which gave rise to the exceptional item.

146. It is doubtful whether a distinction is always made between adjustments for previous years and items which are exceptional for some other reason. Where the distinction is made, however, the adjustments for previous years are variously dealt with as provisions no longer required, or by such descriptions as:

'Net profit from earlier periods'.

'Adjustments in respect of previous years'.

Suggestions

147. (*a*) *Where items of an exceptional or non-recurrent nature are sufficiently material to come within the scope of paragraph 14 (6) (a) of the Eighth Schedule to the Companies Act, 1948, they should be appropriately described. Where a number of such items are grouped together suitable headings would be:*

EXCEPTIONAL NON-TRADING ITEMS

EXCEPTIONAL ITEMS

NON-RECURRENT ITEMS

NON-TRADING ITEMS

(*b*) *The following would be an appropriate expression to describe material adjustments of previous years' trading results where these are distinguished from exceptional or non-recurrent items:*

TRADING CREDITS (*or* CHARGES) RELATING TO PREVIOUS YEARS

(*c*) *Where the adjustments for previous years are credits arising from over-provisions, a suitable description would be:*

PROVISION(S) FOR . . . NO LONGER REQUIRED

Dividends paid, payable and proposed

148. There is considerable variation in the wording used for dividends payable. Some of this is attributable to differing circumstances, such as the structure of the share capital and the practice as regards the declaration of interim and final dividends; but to an important extent variation derives from differences in classification whereby in some instances the nature of the shares is taken as the primary factor and in others the grouping is as between dividends already paid and those recommended for consideration by the shareholders.

149. On the one hand there are groupings under the headings 'Paid' and 'Proposed' and on the other hand headings such as:

Dividends Paid and Proposed:

Preference Stocks (details given).

Ordinary Stock (details given).

150. The division of preference dividends as between paid and payable is frequently omitted. That of ordinary dividends is given by the use of separate items designated 'Interim' and 'Final' or 'Proposed final'. The words 'Provided' and 'Recommended' are also used for final dividends.

151. The periods to which dividends relate are sometimes indicated—usually, but not invariably, where these differ from the accounting period. The dates of payment are seldom indicated; where they are, it is usually where the dates are subsequent to the accounting date.

152. The rates of dividends are often given and there is generally an indication that the amounts shown are after deduction of income tax.

Suggestions

153. Examples of appropriate wording for dividend items are:

DIVIDENDS PAID AND PROPOSED, LESS INCOME TAX—

5 PER CENT CUMULATIVE PREFERENCE SHARES (PAID JUNE 30TH, 19..... AND DECEMBER 31ST, 19.....)

ORDINARY SHARES—

INTERIM OF 10 PER CENT (PAID AUGUST 17TH, 19.....)

FINAL OF 20 PER CENT PROPOSED (FOR PAYMENT JUNE 16TH, 19.....)

or

DIVIDENDS PAID AND PROPOSED—

5 PER CENT CUMULATIVE PREFERENCE SHARES (PAID JUNE 30TH, 19..... AND DECEMBER 31ST, 19.....), LESS INCOME TAX

ORDINARY SHARES—

INTERIM OF 10 PER CENT (PAID AUGUST 17TH, 19.....), FREE OF INCOME TAX

FINAL OF 20 PER CENT PROPOSED (FOR PAYMENT JUNE 16TH, 19.....), FREE OF INCOME TAX

CONSOLIDATED BALANCE SHEET

154. The terms used in consolidated accounts are generally identical, so far as applicable, with the terms used in the published accounts of the holding companies concerned. In this connection it is to be noted that paragraph 18 of the Eighth Schedule to the Companies Act, 1948, requires consolidated accounts to comply, as far as practicable, with the requirements of the Act as if they were the accounts of an actual company. There are, however, a number of items which arise solely in consolidated accounts and these items are dealt with in the following paragraphs.

Title

155. Examples of the titles used for consolidated balance sheets are: '(Holding Company) Limited and its subsidiaries, Consolidated Balance Sheet', '(Holding Company) Limited Consolidated Balance Sheet' and '(Holding Company) Limited and subsidiaries, Group Balance Sheet'.

Suggestions

156. (*a*) *The title* (HOLDING COMPANY) LIMITED AND SUBSIDIARIES (*or* AND ITS SUBSIDIARY COMPANIES): CONSOLIDATED BALANCE SHEET *or* (HOLDING COMPANY) GROUP: CONSOLIDATED BALANCE SHEET *would be appropriate where it is desired, having regard to the form of presentation of the accounts as a whole, to indicate in the title that the consolidated balance sheet relates to the holding company and its subsidiaries.*

(*b*) *Where the basis of consolidation would be too lengthy to describe in the title of the consolidated balance sheet, for example, where certain subsidiaries are excluded from the consolidation, it may be described simply as* (HOLDING COMPANY) LIMITED CONSOLIDATED BALANCE SHEET. *In this event the basis of consolidation would normally be described in a note to the accounts to which note a reference may be inserted under the title of the account.*

Share capital and reserves

157. Many consolidated balance sheets include a heading to describe the items summarized in that section which shows the interest of the members of the holding company. Varied expressions are used to describe these interests, such as 'Issued share capital and reserves attributable to members of (Holding Company) Limited', 'Capital and reserves of members of (Holding Company) Limited'. These and similar terms may be adequate descriptions where there are no outside shareholders in subsidiaries. Where there are outside interests it is normal to distinguish the share capital and reserves attributable to the shareholders of the holding company from the interests of outside shareholders in the share capital and reserves of subsidiaries.

Suggestion

158. *The description used should be such as to distinguish the interests of the members of the holding company from those of outside shareholders in subsidiaries. An example is:*

SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO MEMBERS OF (HOLDING COMPANY) LIMITED

Share capital

159. Full details of the authorized and issued share capital of the holding company as given in that company's balance sheet are often repeated in the consolidated balance sheet. In some instances neither the heading nor the description, for example, 'share capital', indicates that the share capital appearing in the consolidated balance sheet is that of the holding company. In others such an indication is given, for example: 'Share capital of (Holding Company) Limited', 'Share capital (Holding Company)', 'Authorized and issued share capital of (Holding Company) Limited'.

160. Where the consolidated balance sheets do not give the amount of the authorized capital they give the amount of the issued capital with or without details of its composition. Examples of the headings used include 'Issued share capital of (Holding Company) Limited', 'Share capital of parent company', 'Share capital'.

Suggestions

161. (*a*) *Any heading used should indicate that the share capital is that of the holding company; for example,* SHARE CAPITAL OF (HOLDING COMPANY) LIMITED.

(*b*) *Since details of the authorized and issued share capital of the holding company are given in its balance sheet, it may not be wished to repeat them in the consolidated balance sheet. If, however, it is desired to show the details, the suggestions contained in paragraph 9 as to the description of share capital in the balance sheet of a company are applicable to its description in the consolidated balance sheet.*

Capital reserve arising on consolidation

162. In some consolidated balance sheets there appears under the heading of capital reserves an item which represents an amount arising from setting off the amounts at which the net assets of subsidiaries are brought into the consolidated accounts against the amount at which the holding company brings its shareholding in the subsidiaries into its own accounts. In others one total is given for capital reserves and it is apparent from the details of the movements in the reserves that they include reserves such as those just described.

163. No simple wording seems to have been found to describe this reserve adequately. Short forms of wording employed include 'Capital reserve arising on consolidation', 'Consolidation reserve', 'Surplus arising on consolidation'.

164. Other descriptions attempt to depict more explicitly the composition of the reserve. Examples (which are inaccurate for the reason indicated in the next paragraph) are:

'Arising on incorporation in the consolidated balance sheet of the tangible assets and liabilities of subsidiaries at book amounts.'

'Excess of the value of net assets appearing in the balance sheets of subsidiary companies over the value of shares in and advances to those companies in the balance sheet of (Holding Company) Limited.'

165. In another instance the capital reserves include

a 'consolidation reserve' which is referenced to a note giving details of the composition of this reserve in the following terms:

'Excess of discounts over premiums on purchase of shares in subsidiary companies .. .. £
Undistributed profits and reserves of subsidiary companies at date of acquisition by parent company, less proportion attributable to minority shareholders .. .. £
Adjustment on the capitalization of a subsidiary company's reserves in 19..... .. .. £
£'

166. The description in paragraph 165 accurately depicts the complex accounting processes involved in the ascertainment of this reserve, but the two examples in paragraph 164 may mislead the reader because they do not clearly indicate that it is the excess at acquisition which is carried to this reserve and not the excess which may have arisen since acquisition due to the retention of profits in the accounts of those companies. All the descriptions given in those two paragraphs, however, are probably difficult for a layman to grasp.

Suggestion

167. Under the heading capital reserves a simple form of wording such as (CAPITAL RESERVE) ARISING ON CONSOLIDATION *may be used to describe a surplus arising on the incorporation of the accounts of subsidiaries in the consolidated accounts.*

Revenue reserves – consolidated profit and loss account

168. The wording in the consolidated balance sheet describing the unappropriated balance of profit and loss account usually follows that used by the holding company. Examples are: 'Unappropriated profits', 'Profit and loss account', 'Surplus', 'Profits retained in the business and other reserves'.

169. In some instances the balance of profits carried forward is divided between the amount appearing in the profit and loss account of the holding company and the amount attributable to the holding company's interest in subsidiaries. Examples are:

'Unappropriated profits –
(Holding Company) Limited
Subsidiaries'

'Profit and loss account –
(Holding Company) Limited
Subsidiaries'

170. In other instances the profit and loss account balance appearing in the consolidated balance sheet is that of the holding company and the reserves and profits of subsidiaries are shown as a separate item. Examples of the descriptions applied to such items are:

'Subsidiary companies –
Undistributed profits subsequent to acquisition by the parent company'

'Miscellaneous reserves and undistributed profits of subsidiary companies'.

Suggestions

171. (a) The suggestions given in paragraph 23 as to the description of the profit and loss account balance of a company are applicable to the consolidated balance sheet subject to the modifications set out below.

(b) Where the balance of profits is divided between the amount appearing in the profit and loss account of the holding company and the holding company's interests in subsidiaries, examples of suitable wording are:

UNAPPROPRIATED PROFITS –
(HOLDING COMPANY) LIMITED SUBSIDIARIES
or
PROFIT AND LOSS ACCOUNT –
(HOLDING COMPANY) LIMITED SUBSIDIARIES

(c) Where revenue reserves of subsidiaries are included with the aggregate balance of profit and loss accounts of subsidiaries, examples of appropriate descriptions are:

SUBSIDIARY COMPANIES – UNDISTRIBUTED (*or* RETAINED) PROFITS

RESERVES AND UNDISTRIBUTED PROFITS OF SUBSIDIARIES

RESERVES AND UNAPPROPRIATED PROFITS OF SUBSIDIARIES

Outside shareholders' interest

172. The aggregate amount attributable to shareholders outside the group in respect of their interests on consolidation is described in a variety of ways. The use of the term 'minority interests' often occurs, but there are circumstances where this expression may be open to misinterpretation; although the holding company may control the majority of the voting power in a subsidiary, the majority of the capital may be held by the so-called minority shareholders, for example, in the form of preference shares. The significance of this item is not based necessarily on the minority aspect but rather on the fact that the interests concerned are outside the consolidation. It is probably for this reason therefore that many companies adopt such expressions as:

'Outside shareholders in subsidiary companies'
'Interest of outside shareholders in subsidiary companies'
'Capital held outside the group'
'Outside shareholders' interests in net assets of subsidiaries'.

173. The first and third of those examples do not indicate that anything other than share capital held outside the group is necessarily included in this item. The third example does not indicate that it is the capital of subsidiaries which is concerned, and may therefore be puzzling to the shareholder; moreover the description is appropriate only when no part of the reserves of the subsidiaries is attributable to such capital. The use of the word 'group' also requires careful consideration as indicated later in paragraph 188.

Suggestions

174. (a) The heading describing interests of shareholders (other than the holding company) in subsidiaries consolidated should be factual, and the word

'minority' should not be used unless the outside shareholders are minority shareholders. The following are examples of descriptions which are normally suitable:

INTERESTS OF OUTSIDE (*or* MINORITY) SHAREHOLDERS IN SUBSIDIARIES

OUTSIDE (*or* MINORITY) SHAREHOLDERS IN SUBSIDIARIES

OUTSIDE (*or* MINORITY) SHAREHOLDERS' INTERESTS IN NET ASSETS OF SUBSIDIARIES

OUTSIDE (*or* MINORITY) SHAREHOLDERS' INTERESTS IN CAPITAL AND RESERVES OF SUBSIDIARIES

(*b*) *Where sub-division of the item is appropriate, suitable descriptions of the details should be given, such as, for example:*

PREFERENCE CAPITAL

ORDINARY CAPITAL AND RESERVES

(*c*) *If proposed dividends to outside shareholders in subsidiaries are not grouped with current liabilities but included in the aggregate amount at which the interest of such shareholders are stated in the consolidated balance sheet, the description of the interest should indicate that proposed dividends are included therein.*

Differences in inter-company balances

175. A variety of expressions is used to describe the amount representing the net difference on inter-company accounts which arises owing to variations in the accounting dates of the individual companies included in the consolidation. Examples include 'Net balance on inter-company accounts due to variation in balance sheet dates', 'Net balance on inter-company accounts owing to variations in dates of balance sheets', and 'Balance arising from differences in accounting dates of certain subsidiaries'. Where accounts of overseas subsidiaries at March 31st, an earlier date than those of the holding company, were consolidated the difference was described as 'Advances to overseas subsidiaries (made since March 31st, 19.....)'.

Suggestions

176. (*a*) *Where balances appear in the consolidated balance sheet arising from transactions between companies in the group with differing accounting dates, an appropriate description would be:*

NET BALANCE ON INTER-COMPANY ACCOUNTS DUE TO DIFFERENCES IN ACCOUNTING DATES

(*b*) *Where it is possible to distinguish the difference, more specific descriptions may be suitable, such as:*

ADVANCES TO SUBSIDIARIES MADE SINCE .....19..... (*Being the accounting date of those subsidiaries.*)

(*c*) *Descriptions such as 'current account', 'suspense account' carry no information to the reader and are therefore inappropriate.*

Accounts of subsidiaries omitted from the consolidation

177. If the accounts of any companies in the group are omitted from the consolidation, paragraph 21 of the Eighth Schedule to the Companies Act, 1948, requires that items relating to such subsidiaries should be shown separately. Examples are:

'Investments in subsidiary company not consolidated'

'Subsidiaries –

Shares at cost in subsidiaries not consolidated'.

Suggestion

178. Expressions used in the accounts of holding companies to describe items relating to their subsidiaries (see paragraphs 92 to 103) may be used with appropriate amplification to describe similar items in a consolidated balance sheet relating to subsidiaries not consolidated. A suitable heading would be:

INTERESTS IN SUBSIDIARIES NOT CONSOLIDATED

followed by further details as indicated in paragraph 109.

Goodwill arising on consolidation

179. In some consolidated balance sheets there appears an item which represents an amount arising from offsetting the holding company's shareholdings in subsidiaries against the amount at which the net tangible assets of the subsidiaries attributable thereto are brought into the consolidated accounts at acquisition of such shareholdings. The descriptions used for this item are varied. They may be classified into those descriptions which refer to premiums on shares acquired, those which refer to the excess of cost of shares over book amounts of assets of subsidiaries, those which refer to the excess of cost of shares over the nominal amount thereof and reserves appropriate thereto, and other descriptions. Examples of descriptions in the various categories are:

'Goodwill and premium on acquisition of shares in subsidiaries'

'Goodwill representing premiums paid on acquisition of shares in a subsidiary company'

'Excess of cost of shares in subsidiary companies over the book value* of the net assets of those companies at the date of acquisition, less amounts written off'

'Goodwill, mainly represented by net excess of cost of shares in subsidiaries over appropriate proportion of book values* of net assets at dates of acquisition, less amounts written off'

'Goodwill, at cost less amounts written off including net excess of book values* over par values of inter-company shareholdings, less undistributed profits at the dates of acquisition'

'Goodwill, patent rights and trade-marks, arising on the incorporation of the book value* of the net assets of subsidiaries in the consolidated balance sheet'.

180. Those examples which attempt a description of the accounting processes involved in the ascertainment of the amount described are inevitably lengthy and unlikely to be understood by a layman. Where on a comparison of the cost of the shares acquired with the then amount of the tangible assets over which control was acquired, after making due allowance for interests

* See paragraph 181 (*b*) below.

not acquired and for liabilities, it appears that the cost exceeded the amount of such tangible assets the difference may be said to represent an intangible asset. The asset may be goodwill in the sense that it is a payment made in the expectation of the continuance of profits at a certain rate or it may represent payments made to obtain control over the company and the use of its assets in the operations of the group, the benefit of taxation losses or other benefits to be derived.

Suggestions

181. (a) The following are examples which indicate concisely the intangible nature of the item, without attempting a more explicit description which may not achieve its purpose:

GOODWILL ARISING ON CONSOLIDATION

EXCESS OF COST OF SHARES IN SUBSIDIARIES OVER THE AMOUNT ATTRIBUTED TO THE NET ASSETS OF THOSE COMPANIES AT THE DATE OF ACQUISITION

EXCESS OF COST OF SHARES IN SUBSIDIARIES OVER THE BOOK AMOUNT OF THE NET ASSETS OF THOSE COMPANIES AT THE DATE OF ACQUISITION

(b) The use of the term 'book value' is liable to be misunderstood as implying that an actual valuation was made and incorporated in the books at the date named; the expression 'book amount' or 'amounts at which assets are carried in the books' is therefore preferable.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(See comment in paragraph 154)

Title of the account

182. The title of the consolidated profit and loss account, whether or not a separate profit and loss account of the holding company is also given, sometimes makes reference to the fact that the account embraces the holding company and its subsidiaries, for example:

'(Holding Company) Limited and subsidiaries, Consolidated profit and loss account for the year ended.....'

Other companies describe the account merely as '(Holding Company) Limited, Consolidated profit and loss account for the year ended.....'. Others refer to the group preceded by a contraction of the full name of the holding company – for example: '(Holding) Group – consolidated profit and loss statement for the year ended.....'.

Suggestion

183. The title (HOLDING COMPANY) LIMITED AND SUBSIDIARIES (*or* AND ITS SUBSIDIARY COMPANIES) *or* (HOLDING COMPANY) GROUP: CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED....., *would be appropriate where it is desired to indicate in the title that the account includes the results of the company and its subsidiaries. This may not be necessary where the description of the items in the account gives the necessary indication or where the information is stated by note.*

Profit (or loss) balances

184. In some consolidated profit and loss accounts the principal item of income does not include a reference to the results of subsidiaries. In others the principal item of income includes the words 'of the company and its subsidiaries', or 'of the group'. The words 'less losses' are sometimes found, presumably to indicate that some companies in the group have incurred losses.

185. The word 'group' is sometimes included to indicate the aggregate income of the holding company and subsidiaries, i.e. of all companies in the group before making allowance for amounts attributable to outside interests in subsidiaries. For example, 'Trading profit of the group', 'Profit of the group, subject to taxation', 'Profit of the group, after taxation'.

186. Following the adjustment for the outside shareholders' proportion of the profits or losses of subsidiaries the amount remaining is described in various ways, such as:

'Interest of (Holding Company) Limited'

'Balance for the year attributable to the interests of (Holding Company) Limited'

'Net profit of the group attributable to (Holding Company)Limited'

'Profit after taxation, attributable to (Holding Company) Limited'

'Group net profits'.

187. The balance of profit prior to appropriation is occasionally indicated as 'group', 'applicable to the group', 'attributable to (Holding Company) Limited', 'of the company and its subsidiaries', or 'consolidated', but these descriptions are not usual.

Suggestions

188. (a) The expression used to describe the principal item of income should be based on the suggestions contained in paragraph 120.

(b) Where an indication is not given in the notes to the accounts or in the title of the consolidated profit and loss account of the fact that the results of subsidiaries are included therein, it is preferable for the narrative of the principal item of income and of other items where appropriate to indicate that the amounts relate to the holding company and subsidiaries.

(c) Where the profit or loss of the company and the subsidiaries is stated before deducting the interest of outside shareholders therein, it may be described as 'GROUP PROFIT (*or* LOSS) BEFORE (*or* AFTER) TAXATION'. *Since the term 'group' is used to describe items which relate to all companies in the group before allowance for amounts attributable to outside shareholders it is preferable not to use this term, without qualification, to describe the balance of profits remaining after such allowance has been made unless it is clear from the context or wording that it is so used.*

(d) An expression such as 'PROFIT ATTRIBUTABLE TO (HOLDING COMPANY) LIMITED AFTER TAXATION' *to describe the profits attributable to the holding company would avoid the difficulty referred to in (c) above.*

Outside shareholders' interest in profits

189. Consolidated profit and loss accounts seldom describe the outside shareholders' interest in profits in identical terms. The many descriptions used include the following:

'Interest of outside shareholders in subsidiaries'

'Amounts attributable to shareholders outside the group'

'Profits of subsidiaries attributable to minority shareholders'

'Proportion attributable to outside shareholders' interests in subsidiaries'

'Profits of subsidiaries attributable to shares held outside the group'

'Profits applicable to shares in subsidiaries held outside the group'.

190. Sometimes there are references to dividends paid to outside shareholders, particularly where only preference shares are held externally and the dividend paid constitutes the full extent of the outside shareholders' interest, for example, 'Net dividends to outside preference shareholders of subsidiaries'. There are, however, instances where ordinary shares are held outside the group and the dividends thereon are shown separately from the undistributed profits attributable to such outside shareholders. Examples are:

'Interest of minority shareholders –

Dividends

Proportion of profit retained by subsidiary companies'

'Net dividends paid and provided –

By (Holding Company) Limited £

By subsidiaries to minority members .. .. .. £

£'

'Retained in the business –

By (Holding Company) Limited £

By subsidiaries – applicable to minority members .. .. £

£'

Where the item described relates only to preference shares held by outside shareholders, examples are:

'Net dividend to preference stockholders of a subsidiary'

'Dividends on preference capital of subsidiary companies publicly held'.

Suggestion

191. Appropriate expressions to describe the outside shareholders' interest in profits are:

OUTSIDE (*or* MINORITY) INTERESTS IN PROFITS OF SUBSIDIARIES

INTEREST OF OUTSIDE (*or* MINORITY) SHAREHOLDERS IN PROFITS OF SUBSIDIARIES

PROFITS (LOSSES) OF SUBSIDIARIES ATTRIBUTABLE TO SHARES IN SUBSIDIARIES HELD OUTSIDE THE GROUP

INDEX

References throughout are the marginal paragraph numbers.

Paragraphs 1–70 in issue of May 4th. Paragraphs 71–144 in issue of May 11th.
Paragraphs 145–191 in this issue.

Acceptance credits .. 44
Accounting dates, differences in (inter-company accounts) 176
Accounting period 2
Accrued charges (or expenses) 44
Accrued interest 34
Accumulated depreciation .. 70
Adjustments in respect of previous years
of the taxation charge .. 144
of trading results .. 147
Advances to subsidiaries .. 176
Adverse balance (profit and loss account) 23
Amortization 70, 123
Amounts payable 44
Amounts receivable 80
Amounts set aside towards future income tax 27
Amounts set aside for tax deferred by capital allowances 144
Amounts written off (fixed assets) 70
Assets
current 72
fixed 61, 68
intangible 61, 63
net, of subsidiaries .. 174, 181
Associated companies (investments in) 90
Auditors' remuneration .. 130
Authorized capital 9

Bank advances 40
Bank balances and cash .. 85
Bank deposits (interest on) .. 136
Bank loans and overdrafts .. 40
Bills payable 44
Bills receivable 80
Book amount, net (fixed assets) 68
Book amount of the net assets of subsidiaries 181
'Book value' 68, 181
Buildings or plant under construction 61

Capital
authorized 9
fully paid 9
issued 9
loan 31
share 4, 9
stock 9
Capital allowances, tax deferred by 144
Capital expenditure, contracts for, authorized by the board 53
Capital redemption reserve fund 20
Capital reserve arising on consolidation 167
Capital reserve(s) 4, 20
Cash 85
Colonial taxation 144
Companies Act, 1948
Section 56 11
Section 196 .. 124, 127, 128
Section 455 .. .. 2, 6
Eighth Schedule
paragraph 4 (3) 64, 89
paragraph 5 96
paragraph 5 (1) 95
paragraph 5 (1) (*c*) .. 95
paragraph 5 (2) (*a*) .. 58
paragraph 6 13
paragraph 8 (3) 92, 97
paragraph 8 (9) 105
paragraph 9 41
paragraph 11 (5) .. 49
paragraph 11 (6) .. 51
paragraph 11 (8) .. 94
paragraph 11 (10) .. 25, 27
paragraph 12 (1) (*b*) .. 131

paragraph 13 130
paragraph 14 (6) (*a*) .. 147
paragraph 15 (2) .. 106
paragraph 18 154
paragraph 21 177
paragraph 28 97
Compensation to director for loss of office 128
Composite items 1
Consolidated balance sheet (title) 156
Consolidated profit and loss account
balance 171
title 183
Contingent liabilities and future commitments .. 53
Contracts for capital expenditure 53
Cost
fixed assets 68
shares in subsidiaries .. 101
stock-in-trade 76
Cost of shares in subsidiaries, excess of, over amount attributed to net assets of subsidiaries 181
Creditors 44
Cumulative preference dividends 153
Current account(s) (subsidiaries) 105
Current assets 72
Current liabilities 38
Current taxation 46

Debentures 31
Debtors 80
Deficit 120
Depletion 70, 123
Depreciation 70, 123
Detail, presentation of .. 1
Development expenditure .. 61
Differences in accounting dates, net balance on inter-company accounts due to .. 176
Directors' compensation, emoluments and pensions .. 128
Directors' valuation
fixed assets 68
investments 90
shares in subsidiaries .. 101
Discounts, provision for .. 80
Dividends
from subsidiaries 105, 107, 109
paid, payable or proposed 48, 153
received or receivable .. 136
Dominion taxation 144
Double taxation relief .. 144
Doubtful debts 80

Equipment 61
Exceptional items 147

Fellow subsidiaries
amounts owing from/to .. 113
shares in 111
'Financial year' 2
Fixed assets
accumulated depreciation 70
amortization 70
amounts written off .. 70
as a heading 61
as valued by the company's officials or directors .. 68
at cost less amounts written off 68
at professional valuation .. 68
depletion 70
net book amount .. 68
Fixtures, jigs, tools and .. 68
Freehold and leasehold land and buildings 61
Future capital expenditure and commitments 53
Future income tax 27

Goodwill 63
Goodwill arising on consolidation 181
Gravel-pits, depletion .. 123
Group (in title of consolidated balance sheet) .. 156
Group (in title of consolidated profit and loss account) 183
Group companies, amounts owing from/to 113
Group, shares in subsidiaries held outside.. 191

Holding company
amounts owing from/to .. 113
profit for the year attributable to 188
remuneration of directors of 128
share capital of 161
share capital and reserves attributable to members of 158
House property 61

Immaterial items 1
Immediate holding company and other holding companies, amounts owing from/to .. 113
Income tax
adjustment in respect of previous years 144
based on the profit of the year 27, 144
deferred by capital or initial allowances 27, 144
future 27
over-provision (or under-provision) in respect of previous years 144
relief on investment allowances 144
Initial allowances 27
Intangible assets 61, 63
Inter-company accounts, net balance on 176
Interest
accrued, on debenture stock or loan 34
paid or payable 132
received or receivable .. 136
Interests in subsidiaries .. 109
Interests in subsidiaries of outside (or minority) shareholders 174
Interests in subsidiaries not consolidated 178
Interim dividends 48, 153
Investment allowances .. 144
Investment income 136
Investments
directors' valuation .. 90, 97
market value 90, 97
quoted 90, 97, 136
trade 90, 136
unquoted 97, 136
Issued capital 9

Jigs, tools and fixtures .. 68

Land and buildings, freehold and leasehold 61
Leasehold(s), amortization .. 123
Liabilities
contingent 53
current 38
other than current .. 31
secured 42, 105
Loans and debentures 31, 44, 80
Loans from/to subsidiaries .. 105
Long-term liabilities .. 31
Long-term liabilities, interest on 34, 132
Loss of office, compensation to director for 128
Loss or deficit 120

Machinery, plant and equipment 61
'Market value' (stock) .. 74
Market value (investments).. 90, 97
Mining properties, depletion 123
Minority shareholders .. 174, 191
Money at call and short notice 85
Mortgages 31
Mortgages owing to or from subsidiaries 105

Net assets of subsidiaries, outside (or minority) shareholders interests in .. 174
Net assets of subsidiaries at date of acquisition, excess of cost of shares over amount attributed to 181
Net balance on inter-company accounts due to differences in accounting dates .. 176
Net book amount 68
Net current assets 72
Net realizable value .. 76
'Net worth' 4
Non-recurrent items .. 147
Non-trading items 147

Operating profit 120
Outside (or minority) shareholders' interests 174, 191
Overdraft 40
Overhead expenditure .. 76
Over-provision in respect of previous years' taxation .. 144
Overseas taxation 144

Patents 63, 123
Payment to director on retirement 128
Pensions, directors 128
Plant, machinery, equipment and vehicles.. 61
Preference capital, outside shareholders' interests in subsidiaries 174
Preference dividends accrued 48
Prepayments 80
Previous years
taxation adjustments in respect of 144
trading credits (or charges) relating to 147

Professional valuation .. 68
Profit and loss account
adverse balance 23
balance 23
in consolidated balance sheet 171
in consolidated profit and loss account 188
Profit for the year 120, 188
Profits tax 144
Property 61
Proposed dividends 48, 153
Provisions for
deferred repairs 36
discounts 80
doubtful debts 36
renewals 123
staff pensions 36
taxation 46
taxation, no longer required 144, 147

Quoted investments .. 97, 136

Recommendations on accounting principles
Recommendation 18 .. 51, 119
Recommendation 22 73, 74, 75
Remuneration of auditors .. 130
Remuneration of directors .. 128
Renewals, provision for .. 123
Replacement price 76
Reserve(s)
capital 20
capital, arising on consolidation 167
fund 20
general 20
revenue 20
Reserves attributable to members of holding company .. 158
Reserves of subsidiaries
outside shareholders' interest in 174
retained profits 171
Revenue account 23

Share capital 4, 9
Share capital and reserves attributable to members of holding company 158
Share capital of holding company 161
Share premium account .. 12
Shares in and amounts owing from subsidiaries 107, 109
Shares in fellow subsidiaries 111
Shares in subsidiaries 101, 107, 109, 181
Shop property 61
Simplicity 1
Stock (capital) 9
Stock-in-trade 74, 76
Stores 76
Sub-totals 1
Subsidiaries
advances to 176
amounts owing from/to .. 105, 107, 109
cost of shares in 101, 181
current account(s) .. 105
dividends from 105
inter-company accounts, net balance on 176
interests in 109
loans from and to .. 105
mortgages from and to .. 105
outside (or minority) shareholders' interests ..174, 191
proposed dividends ..105, 107
reserves and undistributed profits 171
shares in and amounts owing from .. 107, 109, 111
suspense account .. 176
unsecured notes 105
Surplus 23, 120

Tax equalization account .. 27, 144
Tax reserve certificates .. 82
Tax reserve certificates, interest on 136
Taxation 27, 46, 144
Tools, jigs and fixtures .. 68
Trade creditors 44
Trade debtors 80
Trade investments 90
Trading credits (or charges) relating to previous years .. 147
Trading loss or profit ..120, 188
Treasury bills 85

Unappropriated profits .. 23, 171
Under-provision in respect of previous years' taxation .. 144
Unquoted investments .. 97, 136
Unsecured loan stock .. 31
Unsecured loan stock, interest on 132
Unsecured notes (subsidiaries) 105

Valuation (fixed assets) 23, 68, 90, 97

Wasting assets, depletion .. 123
Work in progress 76

Year 2

Weekly Notes

THE POUND IN PERIL

IN the joint report of the British Association for the Advancement of Science and the Association of British Chambers of Commerce on decimal coinage and the metric system, published in 1960, it was stated that, on a 'count of heads' basis, 64 per cent were in favour of a currency system which retained the pound as the principal unit, 21 per cent the 10*s*/cent system and 15 per cent the 8*s* 4*d*/1*d* system. It was further stated that the first of these methods was strongly supported by 'learned societies and professional institutions'.

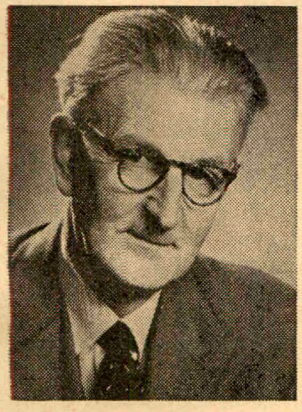
Included in this group were The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in England and Wales, The Association of Certified and Corporate Accountants and The Institute of Cost and Works Accountants, but this pleasing example of unanimity of professional opinion has been short-lived. At the recent annual meeting of the English Institute (reported in our last issue), Mr H. A. Benson, C.B.E., F.C.A., explained how the Council came to change its mind and, in the memorandum submitted to the Chancellor of the Exchequer in February 1961, advocate instead the adoption of the 10*s*/cent system. The views expressed in that document are reaffirmed and elaborated in the Council's recent memorandum to the Halsbury Committee, which we reproduce on another page. Now, in a memorandum addressed to the same committee this week, the Association has also had second thoughts and this time recommends the 8*s* 4*d*/1*d* system. So far as we are aware, neither the Scottish Institute nor The Institute of Cost and Works Accountants has yet submitted its views, old or new, to Lord Halsbury and his colleagues.

And what of the other authorities who originally plumped for the pound? The banking associations who gave evidence to the joint inquiry stressed the desirability of its retention. The British Transport Commission regarded it as 'fundamental that the basic unit should be the pound' and was opposed to 'any form of decimalization which uses another basic unit'; and to the County Councils' Association any suggestion that the pound should be abandoned was

'unthinkable'. Are they all still of the same persuasion? It seems certain that the abundance of evidence now being heaped upon the Halsbury Committee will not be lacking in variety and, even if in some instances opinions have been revised, that no more than reflects the influences of informed discussion which the whole question of decimalization of the currency has inspired during the past three years.

COST ACCOUNTANTS' NEW PRESIDENT

MR WILLIAM BISHOP, C.A., F.C.W.A., senior partner in the firm of William Bishop & Co, Chartered Accountants, of Edinburgh, and a director of a number of companies, has been elected President of The Institute of Cost and Works Accountants for the year 1962–63.



Educated at George Watson's College, Edinburgh, Mr Bishop served his apprenticeship with a firm of chartered accountants in that city and was admitted to membership of the former Society of Accountants in Edinburgh in 1925. He afterwards moved to Glasgow where he remained with a firm of chartered accountants until 1933 before taking up an appointment in the Birmingham office of Stewarts and Lloyds as one of three principal assistants to the chief cost accountant. He returned to Edinburgh in 1935 to become a partner in the firm of McKerrell Brown & Gray, Chartered Accountants, with whom he was associated until 1947 when he commenced in practice on his own account.

Mr Bishop was admitted an Associate of The Institute of Cost and Works Accountants in 1934 and became a Fellow in 1940. Ten years later he was elected to the Council and has served as chairman of the Examination Committee from June 1959 until this year. For a number of years, he represented the Society of Accountants in Edinburgh on the General Examining Board and lectured in costing and other accounting subjects at the Heriot-Watt College, Edinburgh.

Mr Bishop is an active member of the Edinburgh branch of the Institute having served as secretary and later as President. He is also an active social worker, being chairman of the Y.M.C.A. in Edinburgh.

Mr Charles Eric Power, F.C.A., F.C.W.A., A.M.B.I.M., chief cost accountant of the British United Shoe Machinery Co Ltd, Leicester, has been re-elected a Vice-President of the Institute for a second year, and Mr John Pearson Wilson, F.C.W.A., F.C.I.S., a consultant cost accountant in Coventry, has also been elected a Vice-President for 1962–63.

PROFESSIONAL TRUSTEES' REMUNERATION

IT was stated in the Court of Appeal last week that an accountant and a solicitor, who were trustees under a will, had paid themselves remuneration of £1,983 17*s* 3*d*, respectively, under the trustee charging clause. The beneficiaries had brought proceedings for breach of trust on the ground that the remuneration was excessive. The trustees had applied to the High Court for an order requiring the beneficiaries to give 'further and better particulars' of their claim, in particular stating precisely to what extent the remuneration was excessive.

Mr Justice Cross dismissed the application and the Court of Appeal has now affirmed his decision. Lord Denning said, according to *The Financial Times* of May 9th, that it was impossible for the beneficiaries to answer such a question until they had received from the trustees a detailed account of the moneys the trustees had paid themselves. Only then could the beneficiaries state in detail what were the charges to which they objected.

MODEL ACCOUNTS

A HAPPY feature of shareholder-relationships in the company world is the widespread improvement in the presentation and contents of annual reports which, as shown by entries for *The Accountant* Annual Awards, are having much more attention devoted to them. Amongst those closely concerned with the publication of adequate information are members of the Stock Exchange. It is therefore a pleasing reflection of this interest that the Council of the London Stock Exchange has redesigned its own annual report to fall into line with present-day practice. Clarity, simplicity and informativeness – basic factors which should be present in all annual reports – are the keynotes. An introduction refers to the fact that a wider circle of people than members are interested in the principal events which occurred in the administration of the Exchange during the year which ended on March 24th.

The Stock Exchange report opens with a summary of the year's work, much of it of general public concern. Rebuilding, which is now in hand, will improve market facilities and speed up communications, as also will the spread of mechanization. The Compensation Fund, which protects the public against 'House' failures, has been further strengthened to £437,374. New methods of conveying company announcements to the House are being considered.

On the accounts side, the balance sheet is the traditional double-page statement, with liabilities on one side and assets on the other – a method which many accountants still hold to be the simplest and best form of presentation. Sectional headings are pin-pointed in bold headings and comparative figures for the previous year picked out on a green background. The general effect is easy on the eye and simple to read – facts of importance when, as in the case of companies, most shareholders have little or no knowledge of

accounts. The revenue account gives the main figures and comparisons in tabular form on one page, with the detail as notes on the opposite page.

Two pages of simply-drawn charts show the importance of the Stock Exchange in the country's financial affairs, and as a securities market with a vast turnover. Lord Ritchie, the chairman, and his fellow Council members are to be congratulated on a document which could well be a model for many company reports.

MODEST PROGRESS ON E.C.M.

THE Ministerial meeting between the six members of the European Common Market and the United Kingdom last week-end made a certain amount of progress. They hope to have a broad outline of solutions to the problems of this country's joining the Common Market by July. According to the Italian Minister of Industry and Commerce who was speaking on behalf of the six members of the European Common Market, the period of investigation is over and that of negotiation has begun.

By the end of the week-end it had become apparent that more progress had been made at the meeting than many had dared to hope but that considerable differences still separate the two sides on the basic issues. For the first time since last autumn ministers were personally involved in the formal discussions. It still seems apparent that France will play for time. On the other hand the impression has gathered strength that a target date in July has been seriously accepted by all concerned.

This is My Life . . .

by An Industrious Accountant

CHAPTER 124

EXPENSE accounts are notoriously provocative of headaches. We read about expenditure wholly, exclusively and necessarily incurred for business purposes, but this generality isn't much help when we come to consider particular cases. I still remember the first shock I received in my early days; never a year has passed since without another.

I was then in charge of the company secretarial section of our professional office; pressure of work was intense; my staff was small. What could a conscientious and inexperienced young accountant do but work late to clear the overload? Evening after evening, crouched over the dictating machine, pouring out reams of minutes of meetings, statutory reports, file notes, correspondence of all sorts. . . . Those who have been secretaries will understand.

Of course, one must eat. There was a coffee-house near the office where thirty minutes sufficed for sausages on toast or an omelette; the dockets for the frugal few shillings were paid without comment. The senior partner probably felt that I'd learn sense soon enough; the directors never descended to such trivialities. When they incurred expense, it was rarely revealed in detail; their vouchers merely said things like 'Sundry out-of-pockets, May 2nd–4th; £42'. They were signed by a director and approved by the chairman; I vaguely assumed them to cover hotels and travelling and similar essentials. Looking back on those days, I fancy that my generation guarded their employers' interests with an austere zeal more fervent than those employers ever conceived.

One day, a crumpled bill was attached to the chairman's voucher, obviously overlooked by the busy claimant. I can see the itemized list yet in my mind's eye. Dinner for eight at the costliest dining resort in town . . . lobster, steak, Remy Martin, cigars, *crème de menthe* . . . it had been a good dinner. It was probably a special occasion, but it was a revelation to me, especially when I looked again at our own firm's skinflint schedule of permissible claims. But then, I was inexperienced in those days.

The expense claim for my trip to London last week with Prinny is before me now. It's not really based on frugality. Prinny bade me royally to pay our way, and now he's about to authorize my out-of-pockets, as is legal and proper. I wonder if I dare include a new shirt under 'sundries'; after all, the hotel laundry lacerated the right upper breast of the old shirt I sent to them? If it wasn't for this diabolical new form P.11D, with its hair-raising analyses, I might risk it.

In our company, we formalize our procedure nowadays. When I came here first, I was startled to discover that we had no laid-down system in our minutes for approving personal expenses. It was just an ancient tradition that all the directors were authorized to sign anything; being a closely knit group they naturally had a tacit agreement between themselves as to who looked after what expense. Even our auditor concurred in this arrangement; I still remember his cold annoyance when I tactlessly congratulated him on his trusting faith in human nature. But he squared the account. We also had an unwritten arrangement that the secretary could sign for his own outlay up to a five pounds ceiling; the auditor shrewdly raised this point with the directors as being unsatisfactory, and working from this start induced them to install the present systematic arrangement which spells out the authorization limits in detail.

This train of thought was set off by reading an entry in *Pepys' Diary* for February 1661:

> 'To my Lord in the morning, who looked over my accounts, and agreed to them. I do also get him to sign a bill (which do make my heart merry) for £60 to me, in consideration of my work extraordinary at sea this last voyage, which I hope to get paid.'

Is there an undercurrent of uncertainty implicit in his claim? I suppose 'twas ever so. But he had no P.11D to harass him.

Finance and Commerce

Minimizing Costs

THIS week's reprint provides the accounts of The Cornhill Insurance Co Ltd. They show underwriting results, says Sir William Christie, the chairman, which were 'excellent'. This was partly due to the outcome of improved claims experience but also, he says, to a lightening of the expense factor which runs through all the revenue accounts.

'For some years', Sir William explains, 'the management has devoted particular attention to the costs of administration. Major departments have been resited and office processes regrouped to advantage; repetitive human processes have been minimized and controls and routines simplified; paper work attendant upon the changing requirements of policy-holders has been abbreviated and documentation speeded up. In consequence of these measures, the ratio of management expense to the world-wide fire and accident premium income has fallen to the lowest level for the past six years.' Sir William expects the process to continue.

By the very nature of their work, accountants obtain a close insight to office administration. Their wide range of such experience in itself is a valuable asset. They also know only too well the conservatism that can exist with long-standing office procedures. Marks & Spencer made a clean break some years ago, saving millions of forms and tons of paper per annum.

Motor Risks

Cornhill Insurance is particularly proud of the results in its accident department. Sir William compares premiums, profit and percentage for the last three years: 1961 – £5,100,983, £282,976 and 5·5; 1960–£4,461,339, £51,791 and 1.2; 1959–£3,970,928, £173,622 and 4·4. Two-thirds of the motor accident premiums were for motor insurance in this country and the results of this major section were profitable.

'We feel sure', says Sir William, 'that this gratifying result, the best for some years, is a reflection of our emphasis upon underwriting by reference to the individual records and characteristics of drivers rather than to broad categories and classes of vehicles and areas. We work on the principle that discrimination by loaded rates on other penalties against the driver with an impaired record should be matched by factors which afford positive and substantial recognition to the policy-holder whose experience is lengthy and whose record is consistently good.'

'Hence', he says, 'the Cornhill plan of 1957 which first introduced a no-claim bonus scale under which discounts rising to 50 per cent were allowed for the driver with the long claim-free record.'

But motor insurance overseas, he adds, still presents many problems and resulted in an underwriting loss.

Trustee Status

ONE point in insurance accounts is the comparative small paid-up capital compared with the multi-millions in the balance sheet. Equity & Law Life Assurance Society Ltd, in its 1961 balance sheet totalling £95,376,945, has only £450,000 in one million £1 shares, 8*s* 6*d* paid. Yet despite the long-standing solidity of insurance shares as investment, some of these companies are non-trustee under the 1961 Act, paid-up capital being under £1 million.

Equity & Law Life is calling up the 11*s* 6*d* per share and splitting the £1 into four shares of 5*s*. Mr G. Godfrey Phillips, the chairman, points out that the 11*s* 6*d* is being called up and not paid up 'since it would not be proper, nor do our articles permit it, to use the reserves of the life assurance and annuity fund for this purpose; in other words, any such sum would have had to be paid up out of the proprietors' fund, which would not have been sufficient for the purpose unless we had been prepared to deprive proprietors of any but a minute dividend for the forthcoming triennium'.

Valuation

The Equity & Law Life 1961 triennial valuation is notable for a change in its basis, principally by the use of higher rate of interest. The valuation basis used in 1958, the chairman points out, had in one important respect remained unchanged for twelve years, namely, the rate of interest employed in the valuation of ordinary life assurance policies, which was put into force at December 31st, 1946, when 2½ per cent Consols yielded fractionally over 2½ per cent and when the gross yield on the Society's funds was 4¾ per cent.

The yield on 2½ per cent Consols, he points out, is now over 6 per cent and the gross yield on the Society's funds last year was 7½ per cent.

To continue the valuation basis unchanged, he says, would have caused 'an undue withholding of surplus from the current generation of policy-holders'. The bonus now declared was, he points out, earned during the triennium 1959–61 and the reserves released due to the change in the actuarial valuation basis and attributable to the period prior to 1959 have been used to increase the carry forward.

Mr Godfrey Phillips (who is a director of the merchant banking house of Lazard Brothers) has a word to say on the Common Market. 'While in my view this is an aim to be pursued with determination not only for its vital importance to the United Kingdom but also to the Commonwealth as a whole, it is difficult to see it being accomplished without a period of acute change for British industry.'

CORNHILL INSURANCE COMPANY LIMITED

FIRE, ACCIDENT, AND MISCELLANEOUS INSURANCE
REVENUE ACCOUNT

1960 £		1961 £	1960 £		1961 £
2,417,315	Provision for Unexpired Risks at beginning of year	2,686,574	3,785,886	Claims paid and outstanding	4,032,902
6,716,435	Premiums	7,455,951	1,216,722	Agents' Commission	1,322,334
			1,318,218	Management Expenses	1,389,019
			24,844	Overseas Taxation	30,155
			101,506	Transferred to Profit and Loss Account	385,735
			2,686,574	Provision for Unexpired Risks at end of year, being 40% of Premium Income for the year	2,982,380
9,133,750		10,142,525	9,133,750		10,142,525

MARINE, AVIATION, AND TRANSIT INSURANCE
REVENUE ACCOUNT

1960 £			1961 £	1960 £		1961 £
941,944	Fund at beginning of year		975,761	320,648	Claims paid in respect of 1960 and previous years	332,514
80,806	Premiums in respect of 1960 and previous years	115,827		109,459	Claims paid in respect of 1961	129,135
464,307	Premiums in respect of 1961	459,932		430,107		461,649
			575,759	61,189	Management Expenses	75,652
				20,000	Transferred to Profit and Loss Account	35,000
				975,761	Fund at end of year	979,219
1,487,057			1,551,520	1,487,057		1,551,520

PROFIT AND LOSS ACCOUNT

1960 £			1961 £
	TRADING PROFITS:—		
101,506	Fire, Accident, and Miscellaneous Insurance		385,735
20,000	Marine, Aviation, and Transit Insurance (From underwriting accounts of years prior to 1961)		35,000
121,506			420,735
476,266	Investment Income (Gross)		541,743
597,772			962,478
285,000	*Less:* Taxation		497,500
312,772	**PROFIT AFTER TAXATION**		464,978
171,599	Balance brought forward		311,871
484,371	**AVAILABLE FOR APPROPRIATION**		776,849
	Deduct:		
—	Transfer to General Reserve		250,000
50,000	Transfer to Pensions Reserve		50,000
	1961 Dividends:		
	Interim (net)	61,250	
	Proposed Final (net)	61,250	
122,500			122,500
£311,871	**BALANCE CARRIED FORWARD**		£354,349

(See Notes)

NOTES TO THE ACCOUNTS

1. Of the total Motor premium £3,102,890 was derived from home business; the profit on home Motor business was £226,096.

2. Directors' emoluments for the year ended December 31, 1961, were:—

	£	£
Directors' remuneration	5,392	(5,250)
Other emoluments	14,868	(10,225)
	20,260	(15,475)
Past Director's pension for services in a managerial capacity	2,000	(2,000)
	£22,260	(£17,475)

3. In the Revenue Accounts foreign currencies have been included at average rates of exchange for the year, except that the provisions for outstanding claims in the Non-Marine Accounts have been converted at the rates of exchange ruling at the end of the year.

In the Balance Sheet foreign currency assets and liabilities have been converted at the rates of exchange ruling at the end of the year, except that investments have been included at, or under, the sterling cost at the date of acquisition.

4. All British Government, and British Government Guaranteed, Securities are redeemable at fixed dates. The aggregate redemption value is £2,152,776.

5. Certain of the Company's assets are deposited out of the United Kingdom:—

(a) As required by local laws of various places as security for holders of policies there issued.

(b) As part of a fund created with other companies as a guarantee in U.S. dollars in respect of certain Marine policies.

6. The aggregate market value of the Stock Exchange securities at December 31, 1961, was in excess of the values included in the Balance Sheet.

7. In our belief the assets set forth in the Balance Sheet are in the aggregate fully of the value stated therein.

8. The Provision and Reserve for Unfunded Pensions is charged with all pensions not covered by the Company's pension scheme, and is credited with taxation relief on such pensions.

Current contributions to the Company's pension scheme have been charged in management expenses in the Revenue Accounts.

J. R. MILLBOURN, *Director.* W. CHRISTIE, *Chairman.*
C. L. FABER, *Director.* L. A. DUNTHORNE, *General Manager.*

CORNHILL INSURANCE COMPANY LIMITED

FIRE, ACCIDENT, AND MISCELLANEOUS INSURANCE
DEPARTMENTAL ANALYSIS OF REVENUE ACCOUNT ON PAGE [654]

1961	Fire		Motor		Personal Accident		Miscellaneous	
	£	% of Prem.	£	% of Prem.	£	% of Prem.	£	% of Prem.
Premiums	2,354,968		3,912,830		102,797		1,085,356	
Claims	1,234,992	52.4	2,247,310	57.5	53,148	51.7	497,452	45.8
Agents' Commission	569,518	24.2	549,411	14.0	19,717	19.2	183,688	16.9
Management Expenses	407,750	17.3	743,836	19.0	18,253	17.7	249,335	23.0
Additional Provision for Unexpired Risks	39,949	1.7	199,643	5.1	7,800	7.6	48,414	4.5
Profit	102,759	4.4	172,630	4.4	3,879	3.8	106,467	9.8
	2,354,968		3,912,830		102,797		1,085,356	
Provision for Outstanding Claims at 31-12-61	635,653	27.0	1,710,445	43.7	19,750	19.2	475,152	43.8

(See Note 1)

1960	Fire		Motor		Personal Accident		Miscellaneous	
	£	% of Prem.	£	% of Prem.	£	% of Prem.	£	% of Prem.
Premiums	2,255,096		3,413,723		83,296		964,320	
Claims	1,183,579	52.5	2,073,256	60.7	31,844	38.2	497,207	51.6
Agents' Commission	543,123	24.1	495,417	14.5	15,762	18.9	162,420	16.8
Management Expenses	405,585	18.0	686,927	20.1	16,036	19.3	234,514	24.3
Additional Provision for Unexpired Risks	73,094	3.2	151,406	4.5	10,271	12.3	34,488	3.6
Profit	49,715	2.2	6,717	.2	9,383	11.3	35.691	3.7
	2,255,096		3,413,723		83,296		964,320	
Provision for Outstanding Claims at 31-12-60	604,179	26.8	1,546,130	45.3	8,397	10.1	447,041	46.4

BALANCE SHEET AS AT DECEMBER 31, 1961

1960 £	ASSETS		1961 £
	INVESTMENTS (at or under Cost, Less Reserve)		
1,418,842	British Government, and British Government Guaranteed, Securities (See Note 4)		1,643,458
3,076,894	Ordinary Stocks and Shares (some not fully paid up) ..		3,437,657
2,155,627	Other Investments		2,397,840
1,175,415	Properties		1,275,104
220,122	Deposit with Trustees (See Note 5)		220,122
8,046,900		(See Note 6)	8,974,181
	CURRENT ASSETS		
2,539,318	Debtors		2,910,347
442	Due from Parent Company		541
821,916	Cash and Bank Balances		934,078
11,408,576		(See Note 7)	12,819,148
	Less:—		
	CURRENT LIABILITIES (Including Sundry Provisions and Reserves)		
2,605,747	Fire, Accident, and Miscellaneous Outstanding Claims ..	2,841,000	
1,099,193	Creditors and Sundry Provisions and Reserves	1,474,844	
363,732	Taxation (on Profits to date)	531,344	
304,448	Unfunded Pensions (See Note 8)	344,762	
61,250	Proposed Final Dividend (Net)	61,250	
4,434,370			5,253,200
6,974,206	**NET ASSETS, representing:—**		7,565,948
	INSURANCE FUNDS		
2,686,574	Fire, Accident, and Miscellaneous	2,982,380	
975,761	Marine, Aviation, and Transit	979,219	
3,662,335			3,961,599
	SHAREHOLDERS CAPITAL AND RESERVES		
	Share Capital:—		
1,000,000	Authorised and Issued—1,000,000 Shares of £1 each, fully paid	1,000,000	
	Reserves and Undistributed Profits:—		
2,000,000	General Reserve	2,250,000	
311,871	Profit and Loss Account	354,349	
3,311,871			3,604,349
£6,974,206			£7,565,948

(See Notes and Signatures on Page [654])

CITY NOTES

RELEASED from dock strike fears, the stock-market was able to make an impressively strong opening to the new account and the tone was subsequently assisted by some reasonably encouraging economic and industrial news.

'Buy on a strike' has invariably been proved correct in stock-market terms. The threat of a strike inevitably brings, if not selling, then a run down in buying. Settlement of a strike equally brings improvement in stock-market sentiment and temper.

There is, however, more to the current stock-market position than such short-term influences. There is now a tendency to look for good news rather than to harp on bad. That is usually a sign of a change for the better in the indefinable 'market tone'.

So far investors have obviously needed convincing of the reliability of the official economic line that recovery is setting in and that a normal process of reviving home demand, coupled with success in export markets, will take up the economic slack.

There is still a firm belief that if that process is to be achieved, there must be some definite credit-freeing move to help the development on its way. Something more seems to be needed than periodical half-point cuts in Bank rate.

The first sign of such a move could well turn a cautious stock-market into a really confident one.

RATES AND PRICES

Closing prices, Wednesday, May 16th, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 23, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

Mar. 9	£5 0s 5·89d%	April 13	£4 6s 8·54d%
Mar. 16	£4 17s 7·57d%	April 19	£4 5s 4·31d%
Mar. 23	£4 9s 0·47d%	April 27	£4 1s 0·54d%
Mar. 30	£4 8s 1·16d%	May 4	£4 1s 9·72d%
April 6	£4 7s 4·62d%	May 11	£3 19s 8·71d%

Money Rates

Day to day	2⅞–3⅞%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	4⅛–4 3/16%
Fine Trade Bills		3 months	4⅛–4 3/16%
3 months	5½–6%	4 months	4⅛–4 3/16%
4 months	5½–6%	6 months	4⅛–4¼%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·81¼–⅜	Frankfurt	11·25–¼
Montreal	3·06⅛–⅜	Milan	1746–½
Amsterdam	10·10¾–·11	Oslo	20·05½–¾
Brussels	140·02¼–¾	Paris	13·78⅜–⅝
Copenhagen	19·39½–40	Zürich	12·17⅝–⅞

Gilt-edged

Consols 4%	63½	Funding 3% 59–69	84 1/16
Consols 2½%	40 15/16	Savings 3% 60–70	81 3/16
Conv'sion 5¼% 1974	91½	Savings 3% 65–75	72
Conversion 5% 1971	92 13/16	Savings 2½% 64–67	87 13/16
Conversion 3½% 1969	86 15/16	Treasury 5½% 2008–12	90⅛
Conversion 3½%	55 11/16	Treasury 5% 86–89	84 3/16
Exchequer 5½% 1966	100¼	Treasury 3½% 77–80	70½
Funding 5½% 82–84	93⅛	Treasury 3½% 79–81	70¾
Funding 4% 60–90	88⅜	Treasury 2½%	40 9/16
Funding 3½% 99–04	62	Victory 4%	97 1/16
Funding 3% 66–68	86 9/16	War Loan 3½	55 7/16

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

The Training of Accountants

SIR, – In his article published in your issue of April 7th and entitled 'Training for the profession – fact and fantasy', Mr R. J. Carter says 'The most that the technical schools can do is to provide tuition in the technique of book-keeping which is the elementary skill the accountancy student must acquire before he can start his training in real accountancy'. Presumably Mr Carter includes under the heading 'technical schools' all colleges for further education.

It is interesting to note that in the issue of April 14th, the report of the meeting of the Council of The Institute of Chartered Accountants in England and Wales held on April 4th, 1962, includes this statement

'In view of the increasing part being played by technical and commercial colleges within the educational system, the Council has decided to examine the scope for assistance from such colleges on a wider scale than is envisaged in the report of the Education and Training Committee.'

Yours faithfully,
E. V. ROBERTS, B.COM., F.C.A.,
Principal,
Leeds 2. LEEDS COLLEGE OF COMMERCE.

Deposit Account Interest

SIR, – I am grateful for the opportunity of explaining the policy of this bank in dealing with interest allowed on deposit accounts which was referred to in the letter from Messrs Sanders, Millichamp & Co, in your issue of April 28th.

Interest is calculated upon the day-to-day balance of a deposit account and is totalled at the end of June and December. The general practice of the bank is to take instructions from each new depositor at the time of opening his account as to whether he wishes the interest to be credited half-yearly to deposit or to

current account, or to accrue until he gives further instructions. Many of our customers prefer the interest to accrue or to be credited to their current account, and accordingly we find the system has the merit of being flexible and is able to meet the varying wishes of our customers.

Yours faithfully,
F. C. BOOLEY,
Public Relations Officer,
LLOYDS BANK LTD.

London EC3.

Assessment Query

SIR, – With reference to E. V. H. Nash's reply in your issue of May 5th to my query published in the previous issue, it is not merely a question of whether the Revenue would be so unjust as to allow an assessment on an estimated sum to stand where there was no trading activity. In fact, it could work for the benefit of the taxpayer too. If the assessment raised for the year next after cessation became binding the preceding year would be the penultimate year, instead of the final cessation year, and in certain circumstances this would result in some saving of tax.

According to the provisions of the Income Tax Act, 1952, an assessment becomes binding unless appealed against within thirty days. Also, in the case of *Allen v. Sharp* (1848), it was held that when an assessment became final, however erroneous, it could not be questioned. However, the Revenue advance the following argument:

An assessment may be made on an assumption of fact which may later be found to have been without foundation, although thought to be otherwise at the time the assessment was made, or the facts assumed may be incorrect. An assessment is a consequence of the belief of the existence of facts giving rise to chargeability. It is illogical to say that an assessment is 'conclusive evidence' of the existence of such facts. It is only evidence of the belief and cannot create a chargeable source which does not exist. If, therefore, there is no source for 1961–62, no assessment is valid and cannot become final and conclusive.

From the above it can be seen that there are two schools of thought on the conclusiveness and bindingness of an assessment. I shall be glad of any other comments from readers.

Yours faithfully,
London W8. R. V. MANIAR.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

De Voil v. Welford Gravels Ltd

In the Court of Appeal – April 17th, 1962

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice UPJOHN and Lord Justice DIPLOCK)

Income tax – Schedule A – Gravel-pit – Additional Schedule A assessment thereon – Whether assessment limited to annual value for previous year – Income Tax Act, 1952, sections 82 (paragraph 1 (c) of Schedule A), 84, 105, 106, 113.

A farm of about 115 acres included a gravel-pit of about twenty-one acres, and the whole farm was assessed under Schedule A at £108 gross and £80 10s net. Prior to 1956 the gravel-pit had been used as such to only a small extent, but in that year a large local demand for gravel arose, and the owners of the farm obtained development permission to extract gravel from the twenty-one acres. It was a condition of the permission that any machinery or structures should be erected on an adjacent wooded area. The owners of the farm sold the twenty-one acres and the wooded area, twenty-three and a half acres in all, and the sale was completed on February 22nd, 1957. The purchaser company let the respondent company into occupation, and the latter started operations for extracting the gravel at the end of March 1957. On December 31st, 1957, the purchaser company granted a lease of the site to the respondent company for twenty-one years from March 1st, 1957, at a rent of £60 a year. This lease denied the respondent the right to extract gravel or any other mineral from the land. On the same day, however, a licence was given by the purchaser company to the respondent to extract gravel in return for a payment of 4s a cubic yard.

In 1957, about 56,000 cubic yards of sand and gravel were extracted by the respondent, and in 1958 it extracted 60,000 cubic yards. The sums payable to the purchaser company for those years were £11,200 and £12,000 respectively. After the Schedule A assessment for 1957–58 on the farm as a whole had been made, the Inland Revenue became aware of the sale of the twenty-three and a half acres, and the annual value of the farm as a whole was apportioned between the owners and the purchaser company. Later the Inland Revenue learned that the respondent was extracting sand and gravel from the twenty-three and a half acres, and an additional assessment under Schedule A was made on the respondent in the sum of £5,000 gross and £3,475 net.

It was contended on behalf of the respondent that the additional assessment was invalid, in that the twenty-three and a half acres was not a new unit of assessment. The General Commissioners accepted this contention, and discharged the additional assessment.

Held (reversing the judgment of Mr Justice Plowman) (Lord Justice Upjohn dissenting): the twenty-three and a half acres were a separate unit of assessment; and the case should be remitted to the General Commissioners for the annual value to be determined accordingly.

The Institute of Chartered Accountants in England and Wales

Decimal Currency

Memorandum for the Committee of Inquiry under the chairmanship of Lord Halsbury

THE Council of the Institute has noted with satisfaction the Government's acceptance of decimal currency in principle and the appointment of a Committee of Inquiry with the following terms of reference:

(*a*) to advise on the most convenient and practical form which a decimal currency might take, including the major and minor units to be adopted;
(*b*) to advise on the timing and phasing of the changeover best calculated to minimize the cost;
(*c*) to estimate the probable amount and incidence of the cost to the economy of proposals based on (*a*) and (*b*).

2. After reconsidering the whole question of decimalization of the currency the Council reaffirms the views which it expressed to the Chancellor of the Exchequer in a memorandum of February 1961 [reproduced in *The Accountant* of February 11th, 1961]. The following observations are made in amplification of that memorandum.

The Most Convenient and Practical form of Decimal Currency

3. In the memorandum of February 1961, the Council expressed the view that the most appropriate basis for decimalization in this country is the ten shilling/cent system with one hundred cents equal to the present ten shillings and the half-cent as the smallest unit which would be approximately equivalent to the present halfpenny. Further study of alternative bases, in particular the possibility of a new major unit equal to one hundred pennies, has confirmed the Council's conclusion in favour of the ten shilling/cent system.

4. A study of the results of conversion in South Africa on the ten shilling/cent basis indicates that the transitional complications could all be satisfactorily resolved.

5. The ten shilling/cent system would have the following advantages:

(*a*) in day-to-day transactions the most generally used and generally expressed unit of value would still be the shilling, which would remain unaltered and thereby retain a ready associability with prices in shops and with share quotations;
(*b*) the two to one relationship between the new unit and the pound would make the conversion of financial and statistical records comparatively simple;
(*c*) all existing notes would be readily convertible on the two to one basis into the new unit 'N' (thus £5=N10, £1=N2, 10*s*=N1) and the new notes could be identical with the old except for the denominational marking.

6. The major disadvantage of the ten shilling/cent system would be the disappearance of the penny and its replacement by the cent having a value equal to 1·2*d*. This change in the value of the minor unit of currency would make it necessary to adjust (as distinct from merely convert) prices or charges in transactions where pennies are involved; for example a charge of 8*d*, being equal to 6·66 cents, would have no exact equivalent and would therefore need to be adjusted upwards or downwards.

7. The Council considers that this disadvantage is far less than the disadvantages of a system under which the penny would be retained at its present value with a new major unit equal to one hundred pennies. These disadvantages would include:

(*a*) the disappearance of the present shilling as a unit of value would create extensive difficulties in everyday transactions;
(*b*) the absence of a simple relationship between old and new units would create difficulties in the conversion of financial records and in financial and statistical comparisons;
(*c*) all existing notes and coinage except the penny would have to be changed. Moreover, during a transitional period great confusion would be caused if the present coins for 3*d*, 6*d*, 1*s*, 2*s* and 2*s* 6*d* (the value of which would still be respectively 3, 6, 12, 24 and 30 pence) were in circulation with a new major unit equal to one hundred pence and coins for 5*d*, 10*d* and so on.

8. Under the ten shilling/cent system the Council understands that in South Africa the difficulties of conversion from pennies to cents have been overcome satisfactorily by the use of three conversion tables; a 'popular' table for general use giving equivalents to the nearest whole cent for amounts of 1*d*, 2*d*, 4*d*, 5*d*, 7*d*, 8*d*, 10*d* and 11*d*, a 'bankers and accountants' table which avoids the use of 2½ cents and 7½ cents for 3*d* and 9*d*, and a comprehensive table for accurate conversion.

9. It seems likely that Australia and New Zealand will follow South Africa in adopting the ten shilling/cent system. There would be advantages in the United Kingdom being in line with them and full use could be made of South Africa's practical experience.

The Timing and Phasing of the Changeover Best Calculated to Minimize the Cost: and the Probable Amount and Incidence of the Cost to the Economy

10. The Council does not wish to comment in detail on these two items of the committee's terms of reference. It is, however, desired to emphasize the following points made in the memorandum of February 1961:

(*a*) the longer the decimalization of the currency is deferred the greater will be the cost and dislocation;

(*b*) a date should be specified for the introduction of decimal currency, being the earliest date consistent with an adequate preparatory period;

(*c*) the need to consider the question of Government compensation either by means of direct grants or by appropriate taxation allowances.

April 25th, 1962. *Moorgate Place, London EC2.*

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

SEVENTY-FOURTH ANNUAL MEETING

The seventy-fourth annual meeting of The Institute of Chartered Accountants in Ireland was held in the Shelbourne Hotel, St Stephens Green, Dublin, on Saturday, May 5th. The President, Mr A. E. Dawson, F.C.A., was in the chair and there were fifty-seven members present.

PRESIDENT'S ADDRESS

In the course of his address Mr Dawson said:

In proposing the adoption of the accounts and and report I will confine my observations to a few of the main features.

The Institute's Accounts

Income was £1,135 in excess of the previous year's figure, the total from membership subscriptions having increased by £327, while students' registration fees, after excluding the proportion payable to the district societies, were £954 higher. In making the latter comparison, however, it must be borne in mind that the registration fees were only operative for eight months of the year 1960.

Two groups of expenditure showed substantial increases, administration costs having risen by £1,160 and the net cost of examinations by £1,260.

You will observe that examinations have been charged with a proportion of establishment and administration expenses. This is a matter which the Council has had under consideration for some time, the object being to show in proper perspective the cost of conducting the Institute's examinations. The year under review was, of course, a period of transition, in which were held the first sessions of the new Institute examination as well as the last of the examinations under the old syllabus of the Institute and those under the syllabus of The Society of Incorporated Accountants.

In this connection it has been decided as a matter of policy that the cost of conducting examinations should not be permitted to make inroads into resources earmarked for raising the standard of education in professional subjects and the provision of improved facilities for students.

Education and Training

The first steps towards achievement of the objectives mentioned have already been taken. On the recommendation of the Policy Committee the Council has – as you will have seen from recent advertisements – decided to appoint a full-time director of studies, who will be responsible to the Education and Training Committee for advising on educational facilities for Institute students and for the organization of studies. This is a step of far-reaching importance which emphasizes the Council's firm resolve to ensure that the best possible educational facilities are available to Institute students.

Here it may be appropriate to draw the attention of practising members to the importance of exercising due care in the selection of suitable entrants to the profession and the desirability of insisting upon a probationary period of service prior to entry into articles. The individual member in practice who undertakes the training of articled clerks assumes a twofold obligation: firstly, towards the clerk in the provision of suitable opportunities and experience for acquiring the skill and knowledge of a chartered accountant, and secondly, towards the Institute and the profession, the future standards of which depend to such a large extent upon the principal's choice of apprentice.

The Council is mindful of the dislocation arising in professional offices by reason of examination leave. This stems from the fact that all clerks serving under articles now take at least one examination each year; and it may happen that virtually all the articled clerks in an office are absent at the same time on examination leave. The difficulties may be increased as a result of failures at the first attempt and the necessity for re-sitting an examination in the same part. Nevertheless, the periods of leave stipulated in the articles are no more than are considered to be necessary; and while it has been suggested that some change in the examination dates would ease the position, it must be realized that these dates are related to the times of year when the

majority of students enter into articles on leaving school or university. The whole position is, however, being kept under review by the Education and Training Committee.

Here again, a more careful choice of apprentices could well prove to be an insurance against repeated examination failures and the consequent loss of office time.

It is too early to assess the benefits resulting from the spreading of the studies formerly concentrated in preparing for the Intermediate and Final examinations; but it is confidently anticipated that students who have commenced articles under the new syllabus will be better equipped, particularly in the latter part of their term of apprenticeship, to produce a higher standard of work, thus offsetting to a considerable extent the initial inconveniences which the new system imposes upon principals.

Notwithstanding the efforts being made to ensure better theoretical knowledge, the practical training resulting from actual work in a professional office remains of paramount importance. Furthermore, there is, in my opinion, no substitute for the real benefits to be derived by newly-qualified accountants, in whatever direction their ambitions for the future may lie, from continued service in their offices as senior assistants for at least one year – but preferably for a longer term. In the covering of mainly familiar ground on a higher plane of responsibility, the qualified assistant in a professional office has a unique opportunity of reaching maturity in a comparatively short time. The privilege, enjoyed to a limited extent during the apprenticeship period, of viewing in perspective a variety of businesses and undertakings can be turned to advantage in a clearer atmosphere, unclouded by the anxieties and distractions incidental to preparation for examinations, to acquire the degree of professional skill expected from a member of the Institute.

That this conception of what is required to complete the training of a chartered accountant has become unfashionable is evidenced by the present general scarcity of qualified assistants; and in urging the necessity for a return to the view that there is no substitute for practical experience of the kind obtainable in a professional office I would suggest that the seeking and securing of more remunerative employment in industry and commerce without the necessary background of solid practical experience is in the end good neither for the newly-qualified accountant, the business community nor the profession.

Fellowship

The future qualification for Institute fellowship is another matter which has been under consideration during the year by the Council and some of its committees.

The spheres in which chartered accountants exercise their skills have extended so far beyond the comparatively narrow confines envisaged by the Charter of 1888 that there now appears to be no justification whatever for the denial of fellowship to non-practising members of the Institute; but the problem of arriving at the most suitable basis on which it should be awarded is one on which the Council has decided to seek the widest possible expression of views from members before coming to a decision. Accordingly, the district societies have been requested to ascertain as far as is possible the wishes of the general body of their members; and to those who for one reason or another find themselves unable to attend any of the discussions envisaged, I would commend the matter as being generally appropriate and of sufficient importance for the correspondence columns of the *Members' Bulletin*.

To express a purely personal view, I see no good reason why – subject to the necessary transitional arrangements being made – fellowship in the future should not be obtainable only by academic achievement through postgraduate study and a qualifying examination in economics together with some specialized subject such as taxation or management accounting, which might well be conducted by arrangement with the universities or other educational establishments. Leaving any other considerations aside this would meet the existing demand for postgraduate study in such subjects, for which there is no room in the present examination syllabus.

Public Practice

The ever-increasing demands on the services of chartered accountants in public practice indicate the necessity for a greater measure of specialization on the part of principals as well as departmentalization of the office work; and while many of the larger firms are already organized on those lines, both the smaller firms and sole practitioners are faced with a problem, the solution of which is rendered more difficult by the comparatively small numbers of young qualified accountants who elect to remain on the practising side of the profession. The effects of this situation may become more apparent in the not too distant future; and I would suggest to the younger members of the Institute that they should not overlook the possibilities for advancement in professional offices, particularly if they have a desire to specialize and also to avail themselves of the opportunities for self-expression and service which are to be found in public practice in possibly greater measure than elsewhere.

The obvious alternative to the enlargement of firms by the admission of new partners, in order to provide the additional services which clients are now entitled to expect, is the merging of sole practitioners or small firms. There is already a trend towards amalgamations of this nature, which in addition to providing increased opportunities for specialization have the advantage of ensuring continuity.

Management Services

While management services to meet the requirements of medium or large-scale businesses may well be outside the province of the sole practitioner and of many of the smaller firms of accountants, there is no reason why the practising chartered accountant should not be able to cater adequately for the needs of small businesses through the application of management techniques; and the Institute's new examination syllabus is designed to ensure that future entrants to the profession are familiar with these techniques and their practical application.

Legislation

The 1960 Companies Act in Northern Ireland came into operation just over a year ago; and the benefits of the provisions relating to company accounts – especially in the importance attached to the profit and loss account

– are now becoming apparent. Similar provisions are expected in the forthcoming Companies Act in the Republic of Ireland; but pending the introduction of this legislation I would like to subscribe to the hope expressed last year by Mr Cameron, my predecessor in office, that our members will do all they can to influence their clients and boards of directors to present accounts which conform with modern accountancy practice.

In the Republic the recent announcement of the Government's five-year plan for amending and consolidating measures covering the law of contract and the laws relating to trustees, bankruptcy and the administration of estates was well received; and when this legislation emerges it will no doubt be welcomed by the profession.

European Economic Community

There has been considerable comment regarding the probable effects on the economy of the home countries consequent on admission to the European Economic Community. Some of this has been based on insufficient knowledge of the facts, thus rendering it more a matter of speculation than of reliable forecast; and I do not propose to venture any opinion beyond expressing the view that clients should be encouraged to explore the possibilities exhaustively in so far as their own businesses are concerned. In this connection our members have an important contribution to make towards promoting the increased efficiency which will be essential in the future whether or not membership of the Common Market materializes.

Consideration of the consequences of entry into the E.E.C. should, however, receive the serious attention of professional bodies such as ours, since one of the means of achieving the declared object of the community is the removal of obstacles existing between the member States with regard to the free exchange of persons and services as well as capital. Articles 48 to 66 of the Treaty of Rome deal specifically with these matters, which are of particular importance to the accountancy profession. Subsequent developments have resulted in the laying down of a specific time schedule; and it would appear that the programme provides for the liberalization of the accountancy profession before the end of the year 1965, this comparatively early date having been determined in view of the importance of the profession in the economic life of the community. In this connection the object is to allow the nationals of any one of the Common Market countries to practise freely in another member country, either by establishing themselves in that country or by visits from their own country. Standardization of the conditions of entry to the profession is also intended; and at a later stage any existing legislation of a member country which restricts free interchange is liable to be altered following the issue of directives.

Mr Dawson concluded with an expression of thanks to the Vice-President and his colleagues on the Council, and to the Institute Secretary, Mr Stuart Orr, and his staff.

He then formally proposed the adoption of the Council's report and statement of accounts.

The Vice-President, Mr R. E. McClure, having seconded the proposal, the resolution was put to the meeting and was carried unanimously.

ELECTIONS

Election of President and Vice-President

Mr Rollo Ellis McClure, M.B.E., F.C.A., Belfast, was unanimously elected President for the ensuing year on the proposal of the Chairman seconded by Mr G. E. Cameron. Mr McClure thereupon took the chair and thanked the members for the high honour they had conferred upon him.

Mr Robert Patrick Feltham Olden, F.C.A., Cork, was unanimously elected Vice-President on the proposal of Mr John Love seconded by Mr D. McC. Watson.

Elections to Council

The following six retiring members of Council were declared re-elected on the proposal of Mr C. Garrett Walker seconded by Mr J. C. Oakes: Messrs A. S. Boyd (Belfast); G. E. Cameron (Belfast); Frank Cleland (Belfast); M. M. Connor (Dublin); J. F. Dempsey (Dublin); H. W. Robinson (Dublin).

Mr W. H. O'Donnell, who retired in accordance with the provisions of Bye-law 9, was unanimously re-elected on the proposal of Mr John Bacon seconded by Mr D. W. Pratt.

Officers

On the proposal of Mr B. A. Courtney, seconded by Mr W. Edmiston Crawford, Mr Thomas Desmond Lorimer, F.C.A., Belfast, was unanimously elected Joint Honorary Secretary and Treasurer.

The auditors, Mr Harry Hollingsworth Forsyth, F.C.A., Dublin, and Mr Sydney H. Laughlin, F.C.A., Belfast, were unanimously reappointed on the proposal of Mr R. N. Crawford seconded by Mr S. H. Polden.

VOTE OF THANKS

At the conclusion of the meeting a vote of thanks to the outgoing President was proposed by Mr Frank Cleland who paid tribute to Mr Dawson's services to the Institute during his term of office. The vote was carried with acclamation.

BENEVOLENT ASSOCIATION

The thirty-third annual meeting of The Irish Chartered Accountants' Benevolent Association was held in Dublin, on May 5th, prior to the annual meeting of The Institute of Chartered Accountants in Ireland.

The President, Mr A. E. Dawson, F.C.A., was in the chair and there were thirty members present.

On the proposal of Mr D. W. Pratt, seconded by Mr John Love, the report of the Board of Management and the statement of accounts for the year ended December 31st, 1961, were unanimously adopted.

The honorary auditors, Mr Harry Hollingsworth Forsyth and Mr Sydney Harold Laughlin, were unanimously reappointed on the proposal of Mr T. D. Lorimer seconded by Mr D. McC. Watson.

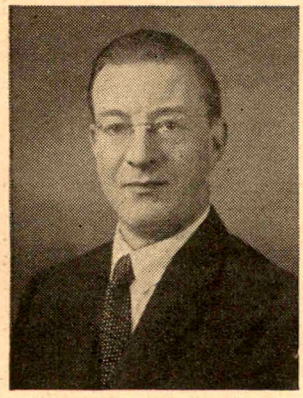
THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

THIRTY-THIRD NATIONAL COST CONFERENCE

About three hundred members attended the thirty-third national cost conference of The Institute of Cost and Works Accountants held in Harrogate on Thursday, Friday and Saturday of last week.

Computers and Industry

After the conference was formally opened by the President, Mr F. M. W. Hird, F.C.A., F.C.W.A., on Thursday afternoon, the first paper was given by Dr M. G. Kendall, President of the Royal Statistical Society and managing director of C. E. I. R. (U.K.) Ltd, on 'The effect of the electronic computer on the organization and structure of industry'.



Mr F. M. W. Hird

Dr Kendall surveyed the application of computers to data processing, linear programming, simulation and forecasting techniques, and said that the main impact of the computer on data processing was in the speed with which data can be summarized and presented to management and the form in which records are kept. An enterprise would become more integrated as it became increasingly possible to receive data from outlying centres; this would reverse the current trend of decentralizing control. The computer offered a breakthrough in managerial technology by making possible the establishment of a sensitive nerve system in the rather unwieldy bodies of the larger corporations, and hence attaining speedy response, adaptability and economy.

Dr Kendall foresaw the time when, for example, trade organizations would use a computer for data collection and processing, when marketing boards would synthesize their controls on the computer, and when crime detection, traffic control, port control, food distribution, allocation of students to educational institutions or of patients to hospitals, were all organized on a large scale with computer aid.

PRESIDENTIAL ADDRESS

Mr Hird then delivered the following address:

When I was honoured by being raised to the highest office in the Institute my predecessors warned me that my hardest task would be to prepare a presidential address. Having now faced it, I cannot find that they were wrong.

Being your President is the peak in my career, and it is not surprising that I gave some little thought as to how it ever came about. One obvious point was that I had been a member of the Institute and the Council for a very long time, because it is quite clear that one's rise to the Presidency cannot be, and indeed should not be, anything meteoric. I succeeded in passing the Institute's examinations in 1932, but with intuitive wisdom the Applications Committee of the day refused me membership, which was accorded some years later. Although some might consider that there was an error of judgment in this reversal, I am happy to think that it did not do any actual harm.

It would be very wrong, however, to suggest that one can come to this position merely through the passage of time, so I sought for further reason and had the humiliation of finding it. Namely, that I have some capacity for focusing on the obvious, the larger intellects having visions of more distant horizons. My position, therefore, has been somewhat analogous to that of a blind man who mostly requires help from others, but on the occasion of a particularly foggy night can lead home those who normally lead him.

Prestige of the Institute

The growth of the prestige of the Institute in the past thirty years has been far greater than any of us would have dared to hope in those days, and whilst it is thoroughly well deserved, the cause has been the devoted work of so many members, some of them, alas, no longer with us, and of my predecessors in this office. The progress continues, and as your representative I have been honoured by invitations received for the first time from bodies and institutions by whom it is very proper that we should be known and respected.

My experience has been that we have reached a stage where the esteem in which the Institute is held, by those who know something about it, could scarcely be higher, but it has also been borne upon me that we still have a long way to go before the Institute and the reasons for its existence are known to all those we would wish to be aware of us. In my year of office I have been particularly fortunate in being able to make fresh contacts within the City of London. On these occasions I have received honoured and cordial welcomes, but in the course of conversation have come across rather startling unawareness of the purposes of the Institute and the work of its members. In the conversations naturally arising, it was not possible, of course, to say a great deal, but the liveliest interest was taken in the brief explanations I was able to give. This presentation of ourselves must go on, and I urge upon all members to take what opportunities they can, falling short of being tedious, to explain what the Institute is for and what its members do for the industry of this country.

Economic Developments

The past thirty years have probably been the most momentous in economic history. The developments have been masked by the horrors of the Second World War and present gloomy apprehensions about the future. 1931 saw the depths of the worst slump then known,

and the financial measures taken in those days to deal with the situation to save the value of the pound made everything else a great deal worse. J. M. Keynes was a lone voice unheeded in this country. As he himself has said, he was uttering 'the croakings of a Cassandra who was never able to alter the course of events in time'. However, in the United States, where the situation was at least as bad – if not worse – than here, he gained the ear of President Roosevelt and such phrases as 'the new deal' and 'pump priming' came into use. From that time onwards it was quite certain that future slumps would never again be met by the old economic approach of violent retrenchment. To those of us who have any recollections of the situation in the early 'thirties there can be no doubt that the new method has proved infinitely preferable to the old.

The Keynesian doctrines and the tremendous technical progress forced in the hot-house of war had two inevitable, but not widely foreseen, consequences. The first of these is, of course, Governmental interference in matters hitherto regarded as private, and the second, if not an entirely new industrial revolution, is an acceleration of progress such as has not been seen for at least 150 years.

I should like to revert to the new situation created by the Keynesian economics. It was very understandable that this radically new approach should give rise to some confusion and that its full implications were not immediately realized. However, a considerable time has elapsed since then, and there does not seem to have been the development of awareness of the present-day facts which so frequently confront us that some observance of them was reasonably to be expected. Please be assured that I was fully as mistaken in this matter as anybody else, and I find that in October 1949 I said the following:

'It seems absolutely certain that no Government can possibly incorporate into its taxation, or any other legislation, provision for future inflation. The one thing that any Government of any political colour would insist upon as its prime object would be the checking of inflation and the stabilization of the value of money. It is quite unthinkable that Governments should make special arrangements for funds to be accumulated which will only be needed if their own policies fail completely. One can, of course, point out that their policies have failed completely with monotonous regularity for the last half-century but any Government w… tell you that that is why it won the last election, and … never going to happen again so long as they are in offic…

It appears to me that that slightly inurbane statem… of the position not only was true then but repres… the thinking of the present time, and I am bound … wonder whether any such thoughts are still justified … basis for policy. After all these years it is surely … that inflation is now endemic and will remain … us for the foreseeable future. There are, of course, checks and spurts in its advance, but the one-way movement always progresses. If this painful fact can be publicly recognized it might well be that the problems it poses could be met by better solutions than those that are applied in the pious hope that it is not going to happen again.

We are frequently told, and rightly, that this creepi… inflation is the bane of people with small fixed inco… – old-age pensioners and the like. They do not ne… be reminded of the truth of this, all they bitterly … is the consistent failure of the various att… hold the value of currency stable for a… period of time.

It is the duty of a civilized nation to look well after its children, its sick and its aged, and the amount they receive is always that portion of the gross national product which the community is willing to concede. If the amounts allocated exceed this notional figure the result is immediately adjusted by a further batch of wage and salary claims to offset the taxation which has been involved.

Now it is often and very understandably said that it is dangerous to attach such matters as old-age pensions to a cost-of-living index because to do so is inflationary. This is a view that need not be denied, but as an argument it loses its force when once it is accepted that an inflationary position exists in any case.

It must be remembered that we are not alone in this predicament and that every nation's money is steadily growing worse at the same time. The social benefits accorded in some of the countries with economies with a record of substantial inflation are quite comparable with anything we have here; I have France particularly in mind on this point, and it does appear that the unfortunate erosion of the value of the currency has not prevented the development of a welfare state. The danger to this country, or indeed to any other, is not particularly in the inflation of its currency, but in that its inflation has exceeded the rate achieved by its neighbours and competitors. This, of course, can lead immediately to the balance of payments crises with which we are painfully familiar.

It may be that I have been tactless in stating publicly the position as I see it, and that it is better to pretend that inflation has been checked, and then to make a graceful apology every three or four years, admitting that some new adjustments are necessary – but I cannot really feel that this latter position is one which accountants would relish.

New Industrial Developments

The new industrial developments have created and are creating, more and more, a position which I think is not yet being fully recognized. It is not merely that there are vast numbers of new materials and techniques, but that the capacity of modern productive equipment is so greatly expanded over and above anything hitherto … We now have a situation where the output of a … if it is to be operated economically, … sale of the products must be three … This is the explanation behind … not all, of the take-over bids … receive such publicity today.

… Production

…ep this fact of continually …oughly in mind. This … harmful, and if harm … in economic policy. …cost of production …up on the old … product was …f one is so …nk it can …rything …ever

…espite …costs …. It …re.

propound some solution, but I cannot do so. All the same, I may say that better answers to problems emerge when all the facts of the situation are faced, and it is my belief that at the present time this is just what we are not doing.

I should like to end with a brief excursion into the uncivil and touch upon the subject of electronics. I have always maintained that a man with a pencil or even a quill pen, armed also with data concerning the activities of an industrial organization, can produce a substantial quantity of misleading information. No one particularly appreciates being led up the garden path, however slowly, but to be jet-propelled up it at the rate of 25,000 characters a minute creates in me a distaste which I am at no pains to conceal.

There is not, and never has been, any substitute for the accuracy of basic information and the utmost care needs to be taken before giving data to an instrument which thinks of three as four yeses and a no.

Presentation of Medals

On Friday morning, Institute silver medals were presented by the President to Mr S. C. Tyrrell, F.C.W.A., and to Mr E. B. Bishop, F.C.W.A.

The award to Mr Tyrrell was made in recognition of his long and distinguished service to the Institute and to the profession; that to Mr Bishop for his original thought and outstanding powers of exposition of the techniques of cost and management accountancy.

Presentation of Medals. Mr S. C
Mr E. B. Bishop receiving his m

TECHNICAL S

The first of the two papers
by Mr C. E. Sutton, F.C.A.,
Metal Box Co Ltd, entit
people'. Mr Sutton poin
of cost or profit, were t
actions of numerous
influence. Efficien
of the contributi

thousands of people must finally be measured in figure
Against this background Mr Sutton surveyed t
functions of purchasing, stores control, transpo
quality control, information and forecasting service
market research and personnel policy, including t
selection and training of employees in a large industr
organization.

The second paper, on 'The cost of quality' was giv
by Mr K. S. Ayres, F.C.W.A., a member of the Coun
of the Institute, who said that the establishment of
National Council for Quality and Reliability and t
announcement of the National Productivity Ye
emphasized the growing concern of this country wi
quality and productivity; an interest which deriv
from the necessity of matching the increasing efficien
of the rest of the industrial world.

Mr Ayres, who is the Institute's representative
the National Council for Quality and Reliability, sa
that, perhaps not unnaturally, the public was reluct
to accept the fundamental truth that quality mu
be paid for. There seemed to be a growing tendency
expect that however cheap an article or service mig
be in the monetary sense, its reliability must be impe
cable. It was therefore most important that produc
should know the cost of quality and reliability and th
consumers should realize that such costs were just
much part of the cost of a product as the labour a
materials. It seemed that some manufacturers have ma
no serious attempt to ascertain the cost of quality, whi
may, in fact, be segregated into the cost of attainir
maintaining, and failing to attain or to maintain, quali

He then went on to outline a system of to
quality control which sought to measure quality and
control its cost.

BANQUET

At the banquet held on Friday evening at The C
Swan Hotel, presided over by the President, t
principal guests were the Mayor and Mayoress
Harrogate, and Sir Robert Shone, Director-Gener
National Economic Development Council, who
sponded to the toast of 'The Guests' proposed by t
President.

The guests also included: Mr P. F. Grang
President, The Institute of Chartered Accountants
England and Wales, and Mrs Granger; Mr E. Spenc
ident, The Association of Certified and Corpor
untants, and Mrs Spencer; and Mr A. L. Imr
ident, The Institute of Municipal Treasurers a
untants, and Mrs Imrie.

ANNUAL GENERAL MEETING

The forty-third annual general meeting of the Institu
was held last Saturday morning when, as noted el
where in this issue, Mr William Bishop, C.A., F.C.W
was elected President for the ensuing year. Mr Cha
Eric Power, F.C.A., F.C.W.A., was re-elected a Vi
President, and Mr John Pearson Wilson, F.C.W
F.C.I.S., was also elected a Vice-President.

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Notes and Notices

PROFESSIONAL NOTICES

MESSRS BOALER, FLINT & HURT, Chartered Accountants, of 5 Regent Street, Nottingham, announce that Mr D. G. PARRIS, A.C.A., and Mr M. H. T. SIMPSON, A.C.A., have been admitted into partnership as from May 1st, 1962.

MESSRS CITROËN & PARTNERS, of 19 Upper Brook Street, London W1, announce that from May 1st, 1962, they have taken into partnership Mr BENJAMIN POLLARD, A.C.A. The name of the firm remains unchanged.

MESSRS DAVIES, WATSON & Co, Chartered Accountants, of 52 Belgrave Road, London SW1, announce that Mr PETER JOHN BRUNSDEN, A.C.A., who has been associated with the firm for a number of years, was admitted into partnership on May 1st, 1962.

MESSRS DEACON & Co, Chartered Accountants, of Lloyds Bank Chambers, Greyfriars Lane, Coventry, announce that as from May 1st, 1962, Mr J. NOEL THOMAS, A.C.A., who was articled to Mr DEACON, has been admitted into partnership. The name of the firm remains unchanged.

MESSRS FITZPATRICK, GRAHAM & Co, Chartered Accountants, London and Manchester firms, and MESSRS JACKSON, MORTON & PARTNERS, of Nottingham and London, announce that they are associating in practice at Nottingham. The practice will be carried on as from April 1st, 1962, by the firm of FITZPATRICK, GRAHAM & Co and JACKSON, MORTON & PARTNERS, the partners of which will be the existing partners of JACKSON, MORTON & PARTNERS and MESSRS W. J. LEEMING, G. GOLDING, W. G. MEDLAM, F. A. H. SKINNER and G. W. MURPHY of the London and Manchester firms of FITZPATRICK, GRAHAM & Co. The London practice of JACKSON, MORTON & PARTNERS will be incorporated as from April 1st, 1962, in that of FITZPATRICK, GRAHAM & Co. FITZPATRICK, GRAHAM & Co have admitted Mr C. W. H. JACKSON and Mr C. W. H. MORTON as partners of their London firm and Mr C. W. H. MORTON as a partner of their Manchester firm.

MESSRS KEMP, CHATTERIS & Co, Chartered Accountants, announce that Mr PATRICK CARROLL MACNAMARA, F.C.A., has been admitted to the partnership.

The Glasgow firms of MESSRS MCCLELLAND, MOORES & Co, MESSRS BROWN, FLEMING & MURRAY, and MESSRS THOMSON MCLINTOCK & Co, announce that, whilst their separate practices will continue, they have formed a joint firm with the name of MESSRS MCLINTOCK, MOORES & MURRAY which will practise meantime from 213 West George Street, Glasgow C2. The partners in the joint firm are Mr S. E. HOUSTON, C.A., and Mr G. A. ANDERSON, C.A. (of MESSRS MCCLELLAND, MOORES & Co), Mr L. T. MILLER, C.A., and Mr T. D. LYNCH, C.A. (of MESSRS BROWN, FLEMING & MURRAY), Mr T. I. MCLINTOCK, C.A., and Mr J. N. ANDERSON, C.A. (of MESSRS THOMSON MCLINTOCK & Co), and Mr C. I. BUYERS, C.A., A.C.W.A. Mr BUYERS has been a senior member of the staff of MESSRS THOMSON MCLINTOCK & Co for a number of years.

MESSRS BEAT, MARWICK, MITCHELL & Co, announce that as from July 1st, 1962, Mr R. E. GRAY, F.C.A., is being admitted as a partner in their Newcastle upon Tyne office.

MESSRS ERIC PHILLIPS & Co, Chartered Accountants, of London SW3, announce that on May 1st the style of the practice was changed to Messrs SURMAN, BEAT, PHILLIPS, GALE & Co; and that on that date Mr DOUGLAS THOMPSON, F.C.A., who has been a member of the staff for several years, was admitted as a partner.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

The annual meeting of the Liverpool Society of Chartered Accountants was held on May 7th, and the ninety-second annual report, which was presented, records a total membership at December 31st, 1961, of 1,006 – an increase of seventeen members over the year.

In the course of his address, moving the adoption of the report and accounts, the President, Mr Philip C. Lloyd, F.C.A., said:

'To all members of the committee and to those who have served on the subcommittees of the Society I must express my most grateful thanks. There have been many important matters to consider during the past year and the thorough and enthusiastic way in which these gentlemen have attended to the various tasks entrusted to them more than justifies the confidence which you have placed in them.

'During the past year a great number of courses and lectures have been held in the Society's area; whilst many of these have been directly sponsored by the Society others have been arranged jointly with the Liverpool College of Commerce and the Merseyside Productivity Association, and by these various means we have endeavoured to provide study facilities not only for our articled clerks but also for audit assistants and qualified members and – at the Management Accounting Conference – for business executives as well.

'Reference is made in the annual report to a pilot scheme which was voluntarily undertaken by a number of firms

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from this area and elsewhere whereby a survey was made and a report prepared on accountants' remuneration, salaries and costs. Your committee felt that the work of this group deserved every encouragement and authorized expenditure to enable the report to be printed and circulated to all our practising members and to the Institute. To my knowledge this was the first report of its kind ever to have been produced and its contents have prompted similar surveys to be made in other areas and it has, no doubt, been partially responsible for the Council's subsequent decision to conduct a nation-wide survey which has already accumulated details of the problems and difficulties of the smaller practitioners and which will shortly collect financial information relative to accountancy practices. I am sure that you will all agree with me when I say that we are greatly encouraged by the action of the Council in this respect and are indebted to them for their initiative in the matter. Our collective reply to the first part of the small practitioners' survey is, in common with others, now under active consideration by the District Societies Committee, but in view of the implications of many of the matters covered I know you will await the outcome with patience and understanding.'

A vote of thanks to the President was proposed by Mr J. M. Harvey and Mr Lloyd replied.

New President

At a committee meeting of the Society held on May 9th, Mr Stanley Morris, F.C.A., a partner in the firm of Hodgson, Morris & Co, Chartered Accountants, was elected President of the Society for the ensuing year.

Born in 1915, Mr Morris was educated at Sedbergh School and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1939. In August of that year he was mobilized in the Territorial Army in a Birkenhead R.A.S.C. unit as a lance-corporal, subsequently being commissioned early in 1940 in the 59th Division. He later served as staff-captain of one of the infantry brigades in that division, before being promoted to command 176 Company R.A.S.C. with the division.

He attended the Staff College at Camberley in 1943 and afterwards took up a staff appointment on the general staff in the Middle East, later commanding 332 and 37 Companies R.A.S.C. in Egypt, Palestine and Syria.

Since the war, Mr Morris has held a number of honorary appointments in Liverpool and since 1954 has been the honorary treasurer of the Liverpool Child Welfare Association. He was elected a magistrate for the City of Liverpool in 1954.

He is the chairman of J. Mawdsley & Son Ltd and George Reed & Co (Printers) Ltd, two Liverpool printing concerns, and holds other directorships including those of several South African companies.

Other officers of the Society for 1962–63 have been elected as follows:

Vice-President: Mr John Howard Bradley, F.C.A.
Hon. Secretary: Mr Kenneth Duncan, F.C.A., B22 The Temple, Dale Street, Liverpool 2.
Hon. Treasurer: Mr Clifford Pearson, F.C.A.
Hon. Assistant Secretary: Mr John Spencely Ellison, M.A., F.C.A.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

Mr George Wm. Murphy, J.P., B.A.(COM.), F.C.A., has been elected President of the Manchester Society of Chartered Accountants for the year 1962–63.

Mr Murphy was articled to the late Mr Wm. A. Nixon, J.P., F.C.A., and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1938.

Founder of the firm Murphy, Bailey & Co, of Manchester, which has been amalgamated with Fitzpatrick Graham & Co, of London, Manchester, Nottingham, Macclesfield and overseas, Mr Murphy was elected to the Committee of the Manchester Society in 1953, and is in charge of Accounting and Financial Studies in the Faculty of Economics in the University of Manchester. He is the author of several books and articles on accounting and economics and has lectured extensively in the United States and the Far East. He is particularly interested in local government finance and is at present a councillor of the Corporation of Macclesfield.

The new Vice-President of the Society is Mr J. V. Eastwood, F.C.A.

Annual Report for 1961

The eighty-first annual report of the Manchester Society presented at the annual meeting on May 7th, shows that there was an increase in membership during the year of 122 bringing the total to 1,720. This increase was in large part due to a special membership drive conducted during the summer months, as a result of which eighty-eight new members joined the Society.

The monthly luncheon meetings, which have been a successful feature of the Society's activities in past years, were continued and interesting talks were given by guest speakers. Eight evening meetings were held at which subjects ranged from 'Equities and all that' and 'The Trustee Investment Act, 1961' to 'Commercial fraud' – an address given by a member of the Manchester City Police, Commercial Branch. The discussion group also held a number of meetings.

Social functions included the annual dinner, attended by 405 members and guests, and again over-subscribed. Two informal sherry parties were held in May and September, to which all successful Finalists in the area of the Society were invited.

The North Lancashire Branch of the Society passed an active year and there was a substantial increase in membership, which now stands at 441. The Bolton Branch, with a membership of 103, also held a number of meetings during the year.

CORRECTIONS

In the caption to the photograph on page 620 of last week's issue, it is regretted that the solicitor's name appeared as Sir Charles Norton, instead of Mr John W. Gauntlett.

In the banquet photograph on page 607, the Lord Mayor is, of course, on the left and not, as indicated, on the right of the picture.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Spring Diet of Examination, April 1962

PART IV

Of the 506 candidates who sat Part IV of the Institute's examination on April 3rd, 5th and 4th, 1962, the undernoted 207 (40·9 per cent) candidates passed. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

The Albert J. Watson Prize (in two parts for the two candidates whose performances are the most meritorious) was awarded to
McNulty, R. W. R. (Turner, Hutton & Patrick), Glasgow.
Simpson, I. W. (Thomson McLintock & Co), London.

Abai, A. (Arthur Walker & Co), Edinburgh.
Abbasi, S. A. (William D. Anderson & Co), Edinburgh.
Aitken, D. (Whyte, Stevenson & Roberts), Glasgow.
Aitken, H. W. (Graham, Smart & Annan), Edinburgh.
Alexander, R. (John M. Geoghegan & Co), Edinburgh.
Anderson, J. F. (McClelland, Moores & Co), London.

Baird, R. S. McG. (David Strathie & Co), Glasgow.
Banks, J. (Peacock & Henry), Glasgow.
Bannister, (Miss) J. M. (Chrystal, McIntyre & Co), Glasgow.
Bennie, A. (Brown, Fleming & Murray), Glasgow.
Berry, N. (J. Harley Hepburn & Co), Kirkcaldy.
Blanche, W. D. (Peacock & Henry), Glasgow.
Borland, (Miss) M. L. (Craston Thomson & Allison), Glasgow.
Brito-Mutunayagam, M. H. G. A. (W. J. M. Kean & Co), Edinburgh.
Brooks, D. J. (J. Harley Hepburn & Co), Kirkcaldy.
Brown, I. F. (Wilson, Stirling & Co), Glasgow.
Brown, T. L. (T. C. Garden & Co), Edinburgh.
Burnet, J. M. (Graham, Smart & Annan), Edinburgh.
Burns, W. (Aikman & Glen), Glasgow.

Calder, H. R. M. (A. & J. Robertson), Edinburgh.
Campbell, A. I. G. (Kidston, Goff & Harvey), Glasgow.
Campbell, C. W. McK. (Howden & Molleson), Edinburgh.
Campbell, D. (Mann Judd Gordon & Co), Glasgow.
Campbell, I. H. (J. Cradock Walker & McFadzean), Glasgow.
Campbell, J. A. (Thomson McLintock & Co), Glasgow.
Campbell, T. R. (Boyack, Whitelaw & Aitchison), Edinburgh.
Carnegie, W. T. (McClelland, Moores & Co), Glasgow.
Carr, J. I. K. (Miller, McIntyre & Gellatly), Dundee.
Carter, G. J. (Wm. A. Finlayson), Perth.
Cassells, I. A. P. (Grahams, Rintoul & Co), Glasgow.
Clift, R. (Flockhart & Grant), Aberdeen.
Clubb, I. McM. (A. Galloway Brown & Co), Aberdeen.
Cole, M. J. (Peat, Marwick, Mitchell & Co), Birmingham.
Colquhoun, R. L. (Welsh, Walker & Macpherson), Greenock.
Cosgrove, R. B. (Taylor & Ireland), Glasgow.
Coventry, T. T. S. (Stuart & Stuart), Dundee.
Cowe, K. W. E. (Miller, McIntyre & Gellatly), Dundee.
Craig, D. I. A. S. (Robertson & Maxtone Graham), Edinburgh.

Darby, J. A. (George Hay & Co), London.
Dey, H. C. (McClelland, Moores & Co), Glasgow.
Dickson, H. J. (Cotton, Lawson & Macniven), Edinburgh.
Dodds, C. D. P. (Wm. Home Cook & Co), Edinburgh.
Dods, E. M. (Rolland & Pomphrey), Glasgow.
Downie, T. (Wardhaugh & McVean), Glasgow.
Drysdale, B. D. (J. & R. Morison & Co), Perth.
Durell, P. C. V. (McClelland, Moores & Co), Glasgow.

Eakin, J. S. (Turner, Hutton & Patrick), Glasgow.
Edwards, D. R. (Norman J. Bird & Co), Dundee.
Elder, B. J. (Davidson & Workman), Glasgow.

Falconer, I. G. (Williamson & Dunn), Aberdeen.
Fernandez, J. A. T. (Cooper Brothers & Co), Glasgow.
Ferrier, M. G. (Alexander Tosh & Son), Dundee.
Finlay, F. W. (W. A. Wighton & Crawford), Edinburgh.
Fleming, S. (J. Harley Hepburn & Co), Kirkcaldy.
Fleming, T. (Wilson, Ferguson & Co), Glasgow.
Forsyth, R. F. P. (Wilson, Currie & Donaldson), Glasgow.
Forsyth, T. (J. W. & R. N. Oswald), Edinburgh.
Forsyth, T. (Davidson, Downie & McGown), Glasgow.
Fowler, A. J. N. (John H. Fraser & Crawford), Greenock.
Freeman, D. I. P. (Craston Thomson & Allison), Glasgow.
Fulton, A. (W. R. Campbell & Baxter), Falkirk.

Gallagher, M. M. (David Strathie & Co), Glasgow.
Geddes, J. N. (Bower & Smith), Aberdeen.
Gibb, G. M. (Reid & Mair), Glasgow.
Gibson, D. H. (Howden & Molleson), Edinburgh.
Gibson, D. S. (John E. Watson & Co), Glasgow.
Gibson, G. M. (Festus Moffat & Co), Falkirk.
Gilbert, H. (Stewart Harcus), Edinburgh.
Gillespie, D. D. (Thomson, Jackson, Gourlay & Taylor), Glasgow.
Gillies, D. McC. (Chrystal, McIntyre & Co), Glasgow.
Giulianotti, J. S. M. A. (J. & R. Morison & Co), Perth.
Goddard, E. A. (Cram, Worsley, Robertson & Taylor), Dundee.
Goldie, D. S. (S. Easton Simmers & Co), Glasgow.
Gordon, E. A. (Robertson & Maxtone Graham), Edinburgh.
Gracie, P. K. (A. & J. Robertson), Edinburgh.
Graham, M. (McClelland, Moores & Co), Glasgow.
Grant, D. MacD. G. (Thomson McLintock & Co), Glasgow.
Grant, T. A. A. (Moody Stuart & Robertson), Dundee.
Gray, A. S. (Mann Judd Gordon & Co), Glasgow.
Greenhill, K. G. (F. D. Greenhill & Co), Glasgow.
Grossert, J. R. (Robert Fraser & Co), Glasgow.

Hales, E. C. (Wilson, Stirling & Co), Glasgow.
Hardie, J. C. (Richardson & Lawson), Glasgow.
Harrigan, J. (Wylie & Bisset), Glasgow.
Heathcote, A. R. (McClelland, Moores & Co), London.
Hepburn, T. D. M. (Wilson, Stirling & Co), Glasgow.
Herten, W. M. (Touche, Ross, Bailey & Smart), London.
Hog[illegible] M. (Wood, Willey & Co), London.
Hood, [illegible] A. (Miller, McIntyre & Gellatly), Dundee.
Horn[illegible] J. (Rogerson & Goldie), Kilmarnock.
Hunt, J. M. V. (Euan Macdiarmid & Co), Edinburgh.

Johnston, H. M. M. (McClelland, Moores & Co), Glasgow.

Keating, M. (Taylor & Ireland), Glasgow.
Keith, A. J. A. (MacLean, Brodie & Forgie), Glasgow.
Kenneth, G. A. (Norman J. Bird & Co), Dundee.
Kerry, T. S. (Chalmers, Wade & Co), London.
Knox, M. J. G. (Thomson McLintock & Co), London.

Lamont, W. M. (Girdwood, Allison & Logan), Glasgow.
Logan, J. (Miller, McIntyre & Gellatly), Dundee.
Low, C. B. (W. A. Findlay & Co), Dundee.
Luke, D. C. (Turner, Hutton & Patrick), Glasgow.
Lynch, C. P. (Dingwall, Peden & Henderson), Edinburgh.

McAllister, I. M. (John E. Watson & Co), Glasgow.
MacAskill, J. A. (McMurdo, Sinclair & Co), Glasgow.
McBlane, J. (Hardie, Caldwell Ker & Hardie), Glasgow.
McCall, R. (Turner, Hutton & Patrick), Glasgow.
McCann, F. J. (French & Cowan), Glasgow.
McCann, J. R. (Brown, Fleming & Murray), Glasgow.
McCarthey, (Miss) J. M. (Barstow & Millar), Edinburgh.
McConnachie, J. (Wm. H. Jack & Co), Glasgow.
McCosh, A. M. (Robertson & Maxtone Graham), Edinburgh.
McCrossin, F. E. J. (John E. Watson & Co), Glasgow.
McCulloch, R. B. (Wylie & Bisset), Glasgow.
Macdonald, D. A. (John M. Watson), Glasgow.
MacDonald, W. F. (Wilson, Stirling & Co), Glasgow.
Maceachern, J. (Mann Judd Gordon & Co), Glasgow.
McEwen, (Miss) A. (Turner, Hutton & Patrick), Glasgow.
McGaffney, J. F. (MacLean Brodie & Forgie), Glasgow.
McGeoch, G. (E. H. Stanley Craig & McIntyre), Glasgow.
McHugh, R. (Brodie, Burns & Anderson), Glasgow.
McIntosh, E. (T. S. Aikman & Paterson), Aberdeen.
Mackenzie, A. A. (C. G. Macdowall & Co), Dingwall.
Mackenzie, R. W. MacA. (Thomson McLintock & Co), Glasgow.
Mackinlay, J. D. (Peat, Marwick, Mitchell & Co), Glasgow.
McLeod, E. R. (Graham, Smart & Annan), Edinburgh.
McNulty, R. W. R. (Turner, Hutton & Patrick), Glasgow.
Mactaggart, A. D. L. (Taylor & Ireland), Glasgow.
Marshall, W. Y. (Romanes & Aitchison), Edinburgh.
Meek, A. D. B. (Allan & Clapperton), Greenock.
Meikle, A. MacP. H. (A. C. Philp & Co), Dunfermline.
Memon, G. R. (W. J. M. Kean & Co), Edinburgh.
Merer, A. MacI. (Howden & Molleson), Edinburgh.
Middleton, W. A. (Graham, Smart & Annan), Edinburgh.
Mill, A. E. G. (Mackay, Irons & Co), Dundee.
Miller, (Miss) P. A. (Wallace & Somerville), Edinburgh.
Moir, R. J. (Watson McCarroll & Co), Glasgow.
Moore, J. (Thomson McLintock & Co), Glasgow.
Morrison, A. J. (Finnie, Ross, Welch & Co), Glasgow.
Morrison, T. F. (McClelland, Moores & Co), Glasgow.
Murray, D. B. (Moire, Wood & Co), Perth.
Myint, M. T. (Brown, Fleming & Murray), Glasgow.

Newbigging, C. T. (Geddes, Beaton & Co), Edinburgh.
Newlands, R. (Festus Moffat & Co), Falkirk.
Nicholson, A. M. (Touche, Ross, Bailey & Smart), London.
Nicol, S. F. (McKerrell Brown and Gray), Edinburgh.

Petrie, A. W. (Cram, Worsley, Robertson & Taylor), Dundee.
Petrie, M. G. M. (W. A. Wighton & Crawford), Edinburgh.
Pirie, E. D. (Dickie, Pirie & Co), Aberdeen.
Pitkeathly, T. C. (Graham, Smart & Annan), Edinburgh.
Prentice, D. D. (Thomson McLintock & Co), London.
Pullen, I. C. (Chiene & Tait), Edinburgh.

Rainsford A. J. (W. P. & J. A. Scott), Edinburgh.
Ramsay, A. G. (Russ, Ferguson & MacLennan), Glasgow.
Rankin, T. B. (Thomson McLintock & Co), Glasgow.
Redmayne, R. C. T. (Brown, Fleming & Murray), London.
Reid, S. M. (Alexander Sloan & Co), Glasgow.
Reilly, J. F. B. (Richardson & Lawson), Glasgow.
Ritchie, M. R. (McKerrell Brown & Gray), Edinburgh.
Robertson, A. J. (Howden & Molleson), Edinburgh.
Ross, G. A. (Alex. M. Shaw & Co), Glasgow.
Ross, W. M. (Lindsay, Jamieson & Haldane), Edinburgh.

Scott, (Miss) P. S. (Stewart Gilmour), Ayr.
Scott Graham, P. J. (Martin Currie & Scott), Edinburgh.
Shaikh, A. (R. C. Thomson & Murdoch), Dundee.
Shannon, R. C. (Wilson, Stirling & Co), Glasgow.
Sibbald, J. A. (John E. Watson & Co), Glasgow.
Simmers, B. M. (S. Easton Simmers & Co), Glasgow.
Simpson, I. W. (Thomson McLintock & Co), London.
Simpson, R. J. (Reid & Mair), Glasgow.
Small, W. B. (Davidson, Downie & McGown), Glasgow.
Smith, A. J. (Turner, Hutton & Patrick), Glasgow.
Smith, A. P. (Paterson & Steel), Glasgow.
Smith, G. P. (Russ, Ferguson & McLennan), Glasgow.
Smith, M. E. (William D. Anderson & Co), Edinburgh.
Stark, J. (T. Hunter Thomson & Co), Edinburgh.
Steel, A. H. (Price Waterhouse & Co), London.
Stewart, D. W. G. (Peat, Marwick, Mitchell & Co), Glasgow.
Struthers, P. M. (Thomson McLintock & Co), Glasgow.
Sutherland, D. G. (Wm. Home Cook & Co), Edinburgh
Sutherland, J. (Thomson McLintock & Co), Glasgow.
Symon, I. W. (McIntyre & Rae), Dundee.

Tait, R. B. (J. Wyllie Guild & Ballantine), Glasgow.
Templeton, M. A. (R. C. Thomson & Murdoch), Dundee.
Tervit, T. (A. C. Philp & Co), Dunfermline.
Than Pe (Helen M. Lowe), Edinburgh.
Thomson, G. B. (Henderson & Loggie), Cupar.
Thomson, J. (Henry Brown & Co), Kilmarnock.
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THE ACCOUNTANT

ESTABLISHED 1874

MAY 26TH, 1962 VOL. CXLVI. NO. 4562

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CONTENTS

	Page
Whither Guiding Light?	669
Tax on Company Land Sales – II	671
Accountancy Practice in Europe by *Kenneth S. Most, LL.B., F.C.A.*	673
Decimalizing the Currency by *T. H. Husband, F.I.M.T.A., F.R.V.A.*	677
Weekly Notes No Back-dating for Pension Schemes – Financial Statistics – Planning for Construction Industries – Switch Dollar Modifications – Multilateral Investment Insurance – Machine Tools in the Common Market – Bankruptcies in 1961 – Old £1 Notes – Under-Employment in Cotton	678
This is My Life . . . by *An Industrious Accountant*	681
Finance and Commerce Gerrard & Reid Ltd – *Statistics Relating to Securities Quoted on the London Stock Exchange* – City Notes – Rates and Prices	682
Current Law	684
Twelfth National Taxation Conference	687
New Office Equipment	688
Taxation Cases Brooke Bond & Co Ltd *v.* C.I.R.; Brooke Bond & Co Ltd *v.* Butter – Fitch Lovell Ltd *v.* C.I.R.	690
New Legislation	691
London and District Society of Chartered Accountants Twentieth Annual General Meeting	692
Notes and Notices	694

Whither Guiding Light?

FOLLOWING the settlement of the dock labour pay dispute and, more especially, the statement this week that workers in no less than seventy-seven industries have received increases over 2½ per cent, it would be fair to suggest that the adage, 'he's dead, but he won't lie down' could be applied to the Government's policy on incomes. For the Government adamantly insists on enforcing wage-restraint for employees in the public section – despite massive demonstrations of public support for the nursing profession.

That public opinion should be more concerned with the apparent inequity of the workings of this dual system of income determination, than with the economic issues to which it gives rise, is natural. While it might be possible to make the 'pay pause' effective in the short run without seriously affecting the economy, in the long run it is quite illogical, if not impracticable, to tie every class of labour to a given fixed rate of increment. In the long run a policy of maintaining unchanged the differentials between wages in different industries and occupations is the negation of growth.

The Government must therefore find a new long-term policy for fixing wages and salaries which can operate in both the public and private sectors of the economy. The need for this policy is underlined by recent events in the United States and Western Germany, whose Governments are striving to prevent further price increases which might produce a renewed bout of inflation in their train. So far, President KENNEDY seems to have been more successful than Dr ERHARD, but the real significance of these events is the determination of Britain's two main trade competitors to avoid a further bout of 'cost-push' inflation. For the sake of this country's external trade prospects it is imperative that Britain should follow suit and it is undoubtedly this reason which has compelled the Government to remain so obdurate over its incomes policy. In fairness to the Government, it is not sufficiently realized by the public that however deserving the nurses' case may be, the same arguments apply to most of the workers in the welfare services. Those increases once granted, new demands from employees in the local government service are inevitable, to be followed by new demands from teachers, and so the spiral will go on if it is once allowed to start.

Nevertheless, the dual system of 'pay pause' in the public sector and 'catch as catch can' in the private sector is certainly no solution. Nor does the National Economic Development Council hold out any real hope – at least, not for the time being. To entrust to Neddy at this stage the task of evolving an incomes policy

would be to condemn it to the same fate as overtook the now defunct Council on Prices, Productivity and Incomes. For the foreseeable future the traditional system of collective bargaining will have to function in the public as well as in the private sector. What the Government has to do is to ensure the conditions in which collective bargaining can operate effectively. Under the present system, as soon as the economy reaches a stage of full employment, the demand for additional labour creates a climate in which pay awards in excess of average productivity increases are inevitable.

The Government's solution to this situation has been to try and keep the economy 'off the boil' so that demand for labour is just enough to keep unemployment from rising over 2 per cent. The justification of a somewhat similar policy is cogently argued by Professor FRANK PAISH in one of the essays in a collection of his writings during the past decade recently published under the title, *Studies in an Inflationary Economy*.[1]

Professor PAISH's antidote to the wage inflation is to ensure that the resources of the economy are never exploited 100 per cent. An examination of rather limited statistical evidence relating to the post-war United Kingdom economy leads him to the conclusion that if the economy were to run at about 95 per cent of its capacity, representing about 2 to 2½ per cent unemployment, the inflationary pressure generated via excessive increases in incomes would be avoided. This margin of unused capacity would also eliminate the danger of bottlenecks which lead to delays in export deliveries, skimped work and all the other shortcomings of overfull employment.

Professor PAISH bases his proposal on the assumption that the Government is able to regulate the economy so that it would not fluctuate wildly about the 95 per cent level, and that industry would be able to co-operate because it would be kept fully informed of official policy. Quite apart from the inadequacies of existing economic forecasting techniques, there is surely a very real danger that to operate the economy below capacity would mean that the highly productive capital-intensive industries would not fully utilize their equipment. As recent company reports have revealed, the impact of a modest measure of deflation is much more severe on profit margins than it is on the level of wages or employment. Furthermore, such a policy of restraint runs counter to the human weakness of seeking to exploit a given situation. In boom periods those industrialists with unused capacity would resent the Government's restraining policy and it is doubtful if, even in a mild recession, any Government-sponsored stimulus would exert a corresponding effect in the opposite direction.

Unfortunately, any such policy does not meet the most serious defect of post-war incomes policy. Hitherto it has been widely assumed that a given award to a major section of labour was ample justification for a comparable increment for every other section, regardless of changes in productivity in the different sectors of the economy. The stumbling block to the emergence of a rational incomes policy has been the unwillingness of all sections of the community to recognize that the relative position of one group of employees will change *vis-à-vis* other groups with changes in the demand for their services. The reallocation of labour resources in response to changes in market conditions can only be achieved in a free economy by differential increases in incomes. It is the very fact of the Government's present insistence upon a flat-rate increase for all groups of workers that constitutes the most serious argument against its present policy. Unfortunately, the public is still unwilling to recognize this fact.

The one policy that no post-war administration has yet been able effectively to introduce is competition. Not even its most ardent admirer would assert that post-war legislation, aimed at curbing monopolistic practices, has achieved any signal success. The forthcoming test over resale price maintenance should provide an augury for the future. Once there is real competition between suppliers, then producers and distributors alike will not be able to shift on to the consumer the costs of hoarding redundant labour or unearned pay increments and excessive profit margins. The creation of a competitive home market would also enhance the attractions of the export markets. With these conditions achieved and the consumer restored to his rightful status in the economy, there would be no need for the Government's 'guiding light'. The question is, however, What is to be done for the time being?

[1] Macmillan & Co Ltd, London. Price 45*s* net.

Tax on Company Land Sales – II

WE saw last week how individuals may be 'connected with' one another within the meaning of clause 20 of the Finance Bill. Ultimately the clause is concerned with companies, or rather bodies corporate in general, who, like individuals, are also 'persons'. As in the case of an individual trustee, a company which is trustee of a 'settlement' is, in that capacity, connected with any individual 'settlor'. For this purpose 'settlement' and 'settlor' have the same meaning as in section 403 of the Income Tax Act, 1952, which deals with settlements on infants.

A company is 'connected with' another company if:

(*a*) (i) the same person has control of both; or

(ii) one person has control of one and persons connected with him have control of the other; or

(iii) one person has control of one and he together with persons connected with him have control of the other;

(*b*) (i) the same group of two or more persons has control of each company; or

(ii) two groups of persons control both companies and could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person with whom he is connected.

A company is connected with a person if that person controls it, or he and persons connected with him together control it. Any two or more persons acting together to secure or exercise control of a company are to be treated as connected with one another and with any person acting on the directions of any of them to secure or exercise control of the company. Where two companies are connected, they must be treated as also connected with any person whose control (alone or with others) of either company is relevant to establish the connection between the two companies.

Since clause 20 imposes Case VI tax without the necessity of any direction by the Inland Revenue, it follows that the person who undertakes the task of making an income tax return on behalf of a landowning company will be faced with the nightmare of understanding these provisions and of applying them. Even the definition of 'landowning company' is not straightforward. Clause 20 (14) (*c*) applies by reference the definition in clause 13 (6) of the Bill but excluding the application of the words 'being chargeable assets'. Thus, a landowning company for clause 20 purposes is a company not carrying on a trade of dealing in or developing land, but entitled to land to a value equal to or exceeding one-fifth of the net value of all its assets, i.e. their value less the 'value' of the debts and liabilities. The value of the land for this purpose is the value of the company's interest, free of any liability charged on it. It includes the value of interests which the company has unconditionally contracted to acquire, but not of interests which the company has unconditionally contracted to dispose of. There seems to be nothing to prevent the device of loading a company with assets to reduce the 'land' proportion to below one-fifth.

Clause 20 (3) brings some relief by excluding from the 'related activities' (which have to be taken into account to decide whether the activities (with respect to land) altogether amount to a trade) two categories of activities which would otherwise be taken into account, if 'related'. As long as a person is actually carrying on the trade of dealing in or developing land then none of his activities (whether part of that trade or not) fall to be taken into account as 'related activities'. On the face of it, this provision might appear to conflict to some extent with what THE CHANCELLOR OF THE EXCHEQUER said in his Budget speech:

> '*the dealer in property* [*sic*] who, alone or with associates, escapes tax liability in the following way. He forms a chain of companies with suitably framed articles [*sic*], through each of which he puts one transaction so as to avoid the implication that he is trading. If, regarding all the activities of these companies as though they were the activities of one person, they amounted to the carrying on of a trade, a gain on a particular sale by one of the companies would be taxable'.

As stated last week, clause 20 (2) (*a*) includes in 'related activities', the activities, with respect

to land, of any person with whom the company is connected at the time of the disposal. It does not, in terms, require that those activities of the person shall also have taken place at a time when the company is connected with him. However, clause 20 (3) (*b*) limits the scope of clause 20 (2) (*a*) in the following way. Activities (with respect to land) of the person which occur when he is connected neither with the company making the disposal in question, nor with a company with which that company is connected, nor with a company within clause 20 (2) (*b*), are not to be taken into account as related activities even though that person is connected at the time of disposal. A company within clause 20 (2) (*b*) is a company the activities of which (at a time when it was under such control) would have brought it within clause 20 (2) (*a*) if it had not ceased to be under control. However, clause 20 (3) goes on to provide that where there are two persons whose activities with respect to land are taken into account as related activities for the purpose of a particular disposal, then there must be also taken into account any transactions between those two persons. Presumably the object of this is to bring into account transactions which are not 'activities with respect to land', although nobody can be certain what such involved drafting really means.

Clause 20 (4) further cuts down the categories of transactions which may be taken into account as related activities under clause 20 (1) (*a*). It resembles the exemption from stamp duty on conveyances between two members of the same group. A disposal of land by one company to another is to be ignored if at the time of disposal:

(*a*) either company is a subsidiary of the other in the profits tax sense (75 per cent); or both are subsidiaries of a third company; or

(*b*) the members of both companies are the same and hold equivalent interests.

Clause 20 (4) apparently only cuts down related activities. A disposal of property which was within section 20 (4) would not apparently be excluded from liability under the clause merely on that account.

When a company goes into liquidation the authority of the directors as such comes to an end and the liquidator takes over the direction. His duty is to wind up the company's affairs and therefore prima facie he is not carrying on its business, although the presumption can be rebutted. For clause 20 purposes this uncertainty is to some extent swept aside: anything done with respect to the company's own land is to be treated as though it were not being wound up and as though it were still carrying on the business it carried on before the winding-up commenced (clause 20 (5)).

A company may transfer assets to its members or contributories otherwise than by way of sale or exchange. The transfer may be by way of dividend, reduction of capital, or as part of a distribution of surplus assets on a winding up. Clause 20 (5) provides that where a landowning company disposes of land in this way or in any way 'otherwise than by way of bargain at arm's length' the company is to be treated as disposing of the land for a consideration equal to the market value of the land. This provision is presumably limited to the purposes of clause 20, although sub-clause (5) is not entirely clear on this aspect. A company which acquired land before April 10th, 1962, is not to be taxed under clause 20 in respect of its subsequent disposal (clause 20 (7)). The letting of land for less than twenty-one years is not to be taken into account as a disposal unless that letting is accompanied by another letting, or an agreement for another letting, which brings the total term to twenty-one years or more; or the letting is accompanied by an agreement to dispose of the land otherwise than by letting. Where there is a subsequent disposal of the reversion, the consideration received for the exempted letting is to be taken into account (clause 20 (7)).

Profits chargeable under clause 20 are to be computed on the same lines as profits charged under the new Case VII, (clause 20 (6)). For surtax direction purposes such profit is to be treated as investment income, however (clause 20 (11)). The same sub-clause directs that clause 20 shall have effect for profits tax purposes in the same way as it has effect for income tax.

Income tax assessments are to be made by the Special Commissioners (clause 20 (8)). The obligation to secrecy of Inland Revenue officials is relaxed in relation to the affairs of connected persons. A novel feature is that a company may require the Inspector to give it information as to the affairs of other persons, relevant to the consideration of questions of related activities (clause 20 (9)). Finally, clause 20 (10) gives to the Revenue extended powers of inquisition.

(Concluded.)

Accountancy Practice in Europe

by KENNETH S. MOST, LL.B., F.C.A.

THE practice of accountancy differs greatly from one European country to another, and a study of these differences would be a major undertaking; all that will be attempted here, therefore, is a brief guide to the main characteristics of the profession in a number of Western European countries.

By 'the profession' is meant indigenous practising accountants. Many British and American firms of accountants have offices on the Continent, but their activities are often outside the main stream of accountancy in the countries where they practice. They audit and advise branches, subsidiaries and associates of British and U.S. companies and, in so far as these organizations are companies formed under the local laws, are additional to any local requirements, for example, concerning audit. Thus, the French subsidiary of a British holding company could be audited by the French office of a British accountancy firm, and at the same time, a French *commissaire aux comptes* would have to certify the subsidiary's accounts to conform with the French company laws. In some countries this duplication of functions is avoided by recognition of the foreign auditing firm as part of the auditing profession.

Functions of Accountants

As in Britain, the principal occupation of accountants in Europe is auditing the accounts of companies. It might therefore be assumed that professional rights and duties abroad resemble those in the United Kingdom. However, the company laws of the countries of Western Europe, which descend directly from Roman law concepts of incorporation, are in many respects totally different from the company laws of Britain and most states of the U.S.A., which have developed from the common law. In particular, those parts of the relevant Acts which deal with the appointment, rights and duties of auditors are in some cases not even comparable with the corresponding British legislation. This is an interesting subject for inquiry which will not, however, be pursued further in this article.

It should also be pointed out from the beginning, that where auditing is referred to as a function of the accountancy profession, it is the audit of public companies that is implied. By and large, private companies in Europe can choose their auditors where they will, as in Britain, and only where the investment of public funds or public subscription of capital are involved does the law lay down specifications.

In order to discuss the accountancy professions in the different countries it is first necessary to identify the areas of activity with which the accountant, as known in Britain, is concerned. These may be put under the following headings:

A Auditing accounts and reporting on them
B Certifying figures
C Advising on financial management
D Representing others in taxation matters
E Performing book-keeping and accounting functions for others; installing accounting systems
F Administering the estates of others, whether living or deceased. (In the case of companies, before and during liquidation)
G Ancillary activities in so far as they are compatible with the above, e.g. valuations on sale or purchase of a business, teaching and writing on finance and accounting

In nearly all the countries of Western Europe outside the United Kingdom, activities of a purely commercial nature such as those of insurance agent, agent for a financial institution, or director of a commercial company, are not regarded as compatible with the exercise of a liberal profession and therefore practising accountants are not permitted to engage in them. Switzerland is a notable exception to this rule. In Germany, the accountant who leaves the profession to take up an appointment in government or industry, although he may not practice as a public accountant (*Wirtschaftsprüfer*) may retain extraordinary membership of the professional body (*Wirtschaftsprüferkammer*).

Generally speaking, the aforementioned activities properly referable to accountants qualified to audit the accounts of public companies can be grouped by countries as follows:

Austria – A B C D E F G
Belgium – A B C D G
France – A B C D G
Germany – A B C D G
Holland – A B C D E F G
Luxembourg – A B C D G

Portugal – A B C D G
Sweden – A B C D E F G
Switzerland – A B C D E F G

Italy has not been included in the above grouping because accountancy practice comparable with the other countries cannot be said to exist there as a separate profession.

The range of activities of the British accountant is most nearly paralleled in Sweden and Switzerland. Nevertheless, it should be borne in mind that the allocation of matters requiring legal knowledge between the legal and accountancy professions varies considerably. Further, in spite of the apparently similar scope of accountants in France and Germany, the organization of the profession in France is widely divergent, as indicated by the fact that there are nine major professional associations in that country (see list at conclusion).

Status of Accountants

Again speaking very generally, the accountant is recognized in all countries as practising one of the liberal professions. However, legal recognition of this status differs considerably. The two principal features to be observed are regulation of the profession (as evidenced by a monopoly) and the association of practising and non-practising accountants in the same professional institution.

The most extreme case is that of the French accountant (*expert comptable*), a title which may only be used by independent practitioners although it is loosely applied to qualified accountants of different kinds. The French State has applied to the accountant the same rigorous standards which apply to doctors, chemists and lawyers, and has given members of the *Ordre des Experts Comptables et des Comptables Agréés* a monopoly both of name and function. The intention is that the auditor shall maintain complete independence, and to this end he is forbidden to accept any employment, even part-time, whether remunerated by fee or salary, if it involves submission to the orders of another. He is even forbidden from devoting the greater part of his time to the affairs of a single client. It is therefore not permissible for French accountants in industry to associate with their practising colleagues in one association.

The Austrian *Kammer der Wirtschaftstreuhänder* does not admit accountants in employment, but does not possess a monopoly status. In Germany, accountancy functions are performed by a variety of professionals, including *Wirtschaftsprüfer* and *Vereidigten Buchprüfer*, who are specially concerned with auditing, accounting and financial and economic advice and *Steuerberater* and *Helfer in Steuersachen*, who are mainly tax consultants. Recent legislation has taken a major step towards consolidating the status of the *Wirtschaftsprüfer*; no more *Vereidigten Buchprüfer* are to be appointed and this title will ultimately disappear.[1]

The *Collège National des Experts Comptables* in Belgium admits both practising accountants and those employed in industry, whereas the *Ordre des Experts Comptables* in Luxemburg includes only the former. Belgian accountants have been conducting an energetic campaign to regulate the profession for some years past. The Swiss, Dutch and Portuguese professional bodies do not distinguish between members according to their activities.

Protection by law is given to the designations *Wirtschaftsprüfer* in Germany; *expert comptable* in France; and *reviseur* in Belgium. No such protection exists for comparable designations in Austria, Holland, Luxemburg, Portugal or Switzerland.

Forms of Practice

In Germany, auditors may practise individually, in joint association or in companies. In the last case, all members of the board of directors and managers and their deputies, must be *Wirtschaftsprüfer*. If the company is limited (*G.m.b.H.*) it must have a minimum capital of DM. 50,000. There are about 200 such companies in Germany, and partnerships as they are known in Britain and the U.S.A. do not exist. There is no specialization in the profession.

In France the situation is similar, except that companies may be members of the *Ordre des Experts Comptables et Comptables Agréés*. Where the company is limited (S.a.r.L.) the capital must be at least N.F. 5,000, and the majority must be held by members of the *Ordre*. There are nearly one hundred such companies in France, and again specialization is not officially recognized.

Belgian accountants practise for the most part as individuals. There is a movement in Belgium in favour of some sort of association for accountants in practice, but it appears to be difficult of achievement. In Holland, accountants practise both individually and in association, whereas in Luxemburg, Portugal and Switzerland they may also practise as a company. In none of these countries is specialization either recognized or encouraged.

[1] See 'The Profession in West Germany', by W. Voors, *The Accountant*, January 6th, 1962.

Professional Standards and Enforcement

The standards of the profession in some countries are the subject of legal enactments, but in all cases the professional association is primarily responsible for their enforcement. In some countries again the accountant is required to take an oath of service and integrity. As previously mentioned, most professional bodies do not allow members to exercise any other occupation, and some do not even admit accountants who are employed, in order to ensure complete independence of judgment. Advertising is generally prohibited.

Certain aspects of these laws and professional rules are of especial interest. The German *Wirtschaftsprüfer* must insure against liability for professional negligence. In Austria, privilege extends to the refusal to surrender documents for examination by the Courts or taxation authorities, and accountants must be insured against professional negligence. French accountants take an oath, are bound by the law on professional secrets, and in spite of the prohibitions on other activities, may undertake 'artistic activities'. They are not allowed to calculate fees on the basis of the financial results of the client, nor relate them to the results of their interventions on his behalf.

Admission of Foreign Accountants

To take Germany as an example, although the accounts of public companies (*Aktiengesellschaften*) must be audited by *Wirtschaftsprüfer*, virtually all other accountancy functions can be exercised by foreign accountants. These may also obtain the *Wirtschaftsprüfer* designation in certain cases. Legal and taxation matters are restricted to certain professional bodies.

In Austria, admission to the various branches of the profession is so regulated that they can only be entered by Austrian nationals who must also prove that they reside in the country and exercise their profession there.

In Belgium, Holland and Switzerland, foreign accountants may practise freely, except that Switzerland does not allow foreigners to advise on reduction of capital, or to audit Swiss shipping companies, pension funds or banks. Approval of the Swiss Federal Government is required for this type of audit.

France bases the right to practise on acceptance of the foreign national's professional qualification and the existence of reciprocity formally embodied in an international agreement. It is for this reason that foreign accountants have difficulty in establishing new offices in France.

Annual Audit and Annual Reports

Sometimes, as in the case of Switzerland, laws relating to auditing are to be found in the civil code; sometimes, as in Germany, in the commercial code. In all cases, a large part of the body of rules applied is based upon custom rather than legislation.

These laws or rules can be regarded as requiring the auditor to answer certain questions which may be formulated as follows:

1. Do the annual accounts agree with the books of account?
2. Are the books of account kept in accordance with the legal requirements and customary practices?
3. Are the presentation and valuation of the items shown in the annual accounts in accordance with legal requirements and customary practices?
4. Has the profit shown in the accounts been dealt with in accordance with legal requirements (where such exist, for example, the obligation to transfer a specified percentage to a so-called 'legal reserve')?
5. Does the directors' report conform to legal requrements?
6. Has the auditor conformed to all legal requirements relating to his office?

The national differences may be presented by showing which of these questions the auditor is supposed to answer:

Austria – 1 2 3 4 5
France – 1 2 3 4 5
Germany – 1 2 3 4 5
Holland – 1 2 3 4 5
Portugal – 1 2 3
Switzerland – 1 2 3 4

It may be noted that question 6 is only required to be answered by the auditor in Italy, where he must state that he has conformed with the law relating to his office. This is because the law lays down in some detail both the timing of the audit and the procedure to be followed.

Audit reports vary enormously, from the simple statement 'verified and approved' of the Dutch auditor, to the lengthy analysis of the business organization and its results favoured by his German counterpart.

Conclusion

A summary account of the various aspects of the profession in Europe may be misleading, particularly if an attempt is made to compare them with corresponding features in Britain or the U.S.A. In judging the facts, the reader should

bear in mind that standards vary considerably within each country. Many accountants in the countries mentioned are to the highest degree worthy of their calling, and considerable effort is being devoted to establishing and maintaining a common standard for the profession throughout Europe. To this end, nine professional associations in as many countries of Europe banded together in 1951 to form the *Union Europeenne des Experts Comptables Economiques et Financiers* (U.E.C.). The U.E.C. through its specialist committees, has initiated studies of the differences between the countries concerned in respect of the practice of accountancy. It has also organized four European congresses, at Florence (1953), Brussels (1955), Nice (1958) and Zürich (1961). More than 1,000 members attended the Zürich congress last September; there were also present observers from the English and Scottish accountancy bodies, as well as from India, Japan and Venezuela. The Council of Europe, which gave the U.E.C. official recognition in 1958, and the E.E.C. were also represented.

The U.E.C. publishes studies of international accountancy problems as well as reports on the biennial congresses. A lexicon of accounting terms in five languages (French, German, American-English, Spanish and Dutch) which appeared recently was reviewed in *The Acccuntant* of March 3rd.

Principal European Accountancy Bodies

AUSTRIA

*Kammer der Wirtschaftstreuhänder, Rennweg 25, Vienna 3.

Institut Oesterreichischer der Wirtschaftsprüfer, 11 Walfischgasse, Vienna 1.

BELGIUM

*Collège National des Experts Comptables de Belgique, 49 Rue de Congrès, Brussels 4.

Chambre Belge des Comptables, 2 Galerie de la Reine, Brussels.

Institut de Reviseurs d'Entreprises, 6 Avenue des Arts, Brussels.

DENMARK

Foreningen af Statsautoriserede Revisorer, Kronprinsessegade 8, Copenhagen K.

FINLAND

K.H.T.-Yhdistys Föreningen C.G.R., Ruusankatu 3A 29, Helsinki.

FRANCE

Compagnie des Chefs de Comptabilité, 47 Rue Cambon, Paris 1.

Conseil National de la Comptabilité, Ministère des Finances et des Affaires Economiques, 41 Quai Branly, Paris 7e.

Société de Comptabilité de France, 10 Avenue de Messine, Paris 8e.

*Société des Experts Comptables Français, 54 Rue Saint-Lazare, Paris 9e.

Fédération des Associations de Commissaires de Sociétés, Inscrits par les Cours d'Appel, 6 Rue du Louvre, Paris 1.

L'Ordre des Experts Comptables et des Comptables Agréés, 109 Boulevard Malesherbes, Paris 8e.

Chambre Nationale des Experts Comptables Diplomés par l'Etat, 54 Rue Saint-Lazare, Paris 9e.

Union Professionnelle des Sociétés Fiduciaires d'Expertise Comptable, 51 Rue de la Chaussée d'Antin, Paris 9e.

Compagnie Nationale des Experts Comptables, 139 Rue du Faubourg Saint-Honoré, Paris 8e.

WEST GERMANY

*Institut der Wirtschaftsprüfer in Deutschland e.V., Cecilienallee 36, Dusseldorf.

Bundesverband der Vereidigten Buchprüfer, Stafflenbergstrasse 38, Stuttgart S.

GREECE

Sōma Horkōtōn Logistōn, P.O. Box 434, Athens.

ICELAND

Felag Loggiltra Endurskodenda, Reykjavik.

ITALY

Consiglio Nazionale dei Dottori Commercialisti, 71 Via Arenula (presso il Ministero di Grazia e Giustizia), Rome.

Consiglio Nazionale dei Ragionieri e Periti Commerciali, 71 Via Arenula (presso il Ministero di Grazia e Giustizia), Rome.

LUXEMBOURG

*Ordre des Experts Comptables Luxembourgeois, 228 Route de Beggen, Luxembourg.

MALTA

The Malta Institute of Accountants, The Exchange, Valletta.

MONACO

Le Conseil de l'Ordre des Experts Comptables de la Principauté de Monaco, 47 Rue Plati, Monaco.

NETHERLANDS

Nederlands Instituut van Accountants, Herengracht 491, Amsterdam C.

Vereniging van Academisch Gevormde Accountants, Westzeedijk 122, Rotterdam.

*Nederlandsche Unie van Accountants, Surinamelaan 33, Hilversum.

NORWAY

Norges Statsautoriserte Revisorers Forening, Uranienborgterrasse 9, Oslo.

PORTUGAL

*Sociedade Portuguesa de Contabilidade, Rua Barata Salgueiro 1, 2°E, Lisbon.

SPAIN

Consejo Superior de Colegios de Titulares Mercantiles de Espana, Salle del Prado, Madrid.

*Instituto de Censores Jurados de Cuentas en Espana, Orellana 5, Madrid.

SWEDEN

Foreningen Autoriserade Revisorer, Kungsgatan 24, Stockholm.

Svenska Revisorsamfundet, Regeringsgatan 16 II, Stockholm C.

SWITZERLAND

*Schweizerische Kammer für Revisionswesen, Limmatquai 12c, Zürich.

*These bodies are members of U.E.C., together with Jugoslavia: Savez Knjig orodja Jugoslavije.

Decimalizing the Currency

Plea for Retaining the Two Unit Pauses

by T. H. HUSBAND, F.I.M.T.A., F.R.V.A.
Treasurer and Accountant, Caterham and Warlingham Urban District Council

IN considering how to decimalize the currency of the United Kingdom it is usually assumed that the traditional method of presenting financial information, viz. as £ *s d*, must go. Without adequate consideration it seems to be accepted as an axiom that henceforth there must be adopted a series of figures divided between the basic unit and its sub-divisions by a single decimal point. It is therefore refreshing to reconsider exactly what the decimal point is and what it does, not merely because decimalization will introduce *one* into our system but because (unwittingly it seems) for all practical purposes there are *two* already.

Time-honoured Method

The decimal point is merely a 'unit pause'; a mark of distinction between a basic unit on the one hand and its sub-divisions on the other. There is no need for the 'dot', a blank space serves just as well, 21 2 being essentially the same as 21·2. In daily use, I think the space has some practical advantages over the decimal point. Our method of writing currency demands two spaces, two 'unit pauses', e.g. £21 14 8. The drawback to the present system (if it really be a problem) is not the equivalent of two 'dots' but that different rules apply to the pounds (progressing in tens), the shillings (progressing in twenties) and the pence (progressing in twelfths). There is no reason why, having converted the shillings and pence to a tens or hundreds progression, we should not retain the time-honoured two-space method, not through loyalty to tradition but because of its practicality.

The great advantage of the £ *s d* system is that in reality there are *two* basic units, the £ and the shilling. This is very desirable as currency has more than one function to perform. Its major task is to be satisfactory not only for large-scale recording (e.g. national finance, the capital of joint-stock companies, etc.) but also to meet the needs of endless small day-to-day retail transactions. In the South African experiment the choice of 10*s* as the basic unit meets one need adequately but, in my view, is not as satisfactory a solution as can be obtained by retaining more of the existing British structure. The 10*s* basic unit facilitates small transactions but in an age of inflation expresses the large transaction in far too many figures. Any new system of recording should move against the historic trend of money to depreciate in value.

Assuming for the sake of this article that the penny is made one-tenth of a shilling, it is a comparatively simple matter to convert the two basic unit system into a decimal system and yet retain many of its advantages. This is done by making the £5 note one basic unit and the shilling the other, according to the following table.

10 pence = one shilling
100 shillings = one pound royal (colloquially the 'fiver')

Familiar Pattern

Except for aesthetic reasons there is no reason why the new pound should not be called a 'fiver'. In a very little time no one will associate the term with its origin of 'five pounds'.

A column of the new money would then retain its familiar pattern, though the figures would for a while appear a little strange:

£	*s*	*d*	
21	04	8	(21 fivers 4 shillings and 8 pence)
10	34	6	(10 fivers 34 shillings and 6 pence)
10	32	9	(10 fivers 32 shillings and 9 pence)
£41	72	3	(41 fivers 72 shillings and 6 pence)

Even the ½*d* could be retained, either as a fraction or a decimal, thus:

£	*s*	*d*		£	*s*	*d*
10	14	6½	or	10	14	6·5
21	92	5½		21	92	5·5
£32	07	2		£32	07	2

Multiplication and division present no added difficulties if there are two or three decimal points. You merely work to one (e.g. the 'fiver') and the others fall into place.

The great advantage of such a system is that it retains so much of existing colloquialisms and fits with such ease into our present reasoning in terms of money. A minimum of re-learning is necessary and all existing currency can continue

to be used; the £5 note being over-printed 'ONE POUND ROYAL' or 'FIVER' and the £1 note 'TWENTY SHILLINGS'.

The extent to which the British currency system, with these slight modifications, meets the essential requirements of recording large transactions with ease and facilitating small transactions can be seen in the capitals of joint-stock companies on the one hand and small retail transactions on the other:

Capital of joint-stock companies (a pound royal or 'fiver' basis)

Present values	10s *basic unit*	£5 *basic unit*
£	£	£
100	200	20
500	1,000	100
1,000	2,000	200
10,000	20,000	2,000
50,000	100,000	10,000
500,000	1,000,000	100,000

Retail transactions (a shilling basis)

£ s d	£	£ s d
1 6	0·16	01 6
7 6	0·76	07 6
15 0	1·5	15 0
1 1 0	2·1	21 0
2 2 0	4·2	42 0
3 3 0	6·3	63 0
4 4 0	8·4	84 0
5 5 0	10·5	1 05 0

From these tables I think it can be claimed that the 10s basis is too small for the first type of transactions and introduces an unnecessary complication in the second. For retail transactions, the retention of the existing pattern of shillings and pence up to £5 (and it can be used beyond) means one complication only – the problem of the pence. The 10s basis introduces a further complication for everything over 10s. Take a few small purchases – the type of transaction repeated a countless number of times each day – and the saving becomes apparent:

£	s d
0·12	01 2
1·39	13 9
0·84	08 4
1·32	13 2
0·02	2
3·69	36 9

The first column will need writing down or recording on the continental desk adder while the latter will continue to be mental arithmetic to the majority.

Decimalize Britain's currency by all means but do not let us introduce the 'one-unit pause' method. It is neither necessary nor wise that the practical benefits of the existing 'two unit pauses' should be lost.

Weekly Notes

NO BACK-DATING FOR PENSION SCHEMES

THE National Insurance Act, 1959, provides by section 7 (2) that an employed contributor's employment shall be a non-participating employment for any period during which there is in force a certificate issued to the employer to that effect. By section 7 (7) no such certificate is to have effect from a date earlier than the beginning of the contribution week following that in which it is issued. That these words mean what they say, and that accordingly a certificate cannot be antedated, has been emphasized by a decision last month of Mr Henry Salt, Q.C., the National Insurance Adjudicator (Ref. No. ADJ/APP/5).

Each of a group of three companies had entered into trust deeds on February 24th, 1961, witnessing that the company had established a trust to be administered in accordance with a definitive trust deed which the company undertook to execute within twelve months. This was in pursuance of the object of contracting out of the statutory graduated pension scheme which was to begin in June 1961, and the trust deeds contemplated that the pension schemes would commence on the first of that month. Each company completed a form of election on May 20th, 1961, and asked for the necessary certificate to operate from June 1st, 1961. The Scottish Widows' Fund and Life Assurance Society, with whom the schemes were to be insured, forwarded the forms to the Registrar on May 31st, 1961, with a covering letter saying:

> 'As one of the trustees is at present abroad we have not yet received the completed proposal form, but a copy of it, together with a certificate of insurance will follow as soon as possible.'

It was essential, before the Registrar could issue his certificate that the schemes be insured to his satisfaction. He reminded the Scottish Widows Society on June 23rd, 1961, that he was still waiting for the insurance certificate. On July 10th, 1961, the Registrar received the insurance certificate, which was dated July 10th, 1961. He then wrote to the three companies, enclosing his own certificates, dated July 13th, 1961, and saying that they were effective from July 17th, 1961. It

followed that double contributions had to be paid for the period from June 5th, 1961, to July 17th, 1961.

The companies asked the Registrar to antedate his certificates but this he declined to do, saying that he had no power. The National Insurance Adjudicator has now affirmed that decision.

FINANCIAL STATISTICS

ONE of the recommendations of the Radcliffe Committee on the Working of the Monetary System which the Government accepted, was the need to bring together in a single publication all the statistics relating to different aspects of the monetary system. The issue of a new publication entitled *Financial Statistics*,[1] which is to appear monthly, constitutes the first fruits of the Government's efforts to meet this need. Nearly sixty tables, with comparative information back to the mid-1950s, contain data relating to Exchequer financing, tax revenues, the operations of the Bank of England as well as the clearing banks and Scottish banks, and the asset structure of financial institutions such as the building societies and investment trusts. Other series give the yields on various types of Government loans and other borrowing, such as local authority and public corporations. In most cases the data are given on a quarterly or monthly basis.

In forthcoming issues of the new publication, which is prepared by the Central Statistical Office, new series and supplementary information about the various series which are described and defined in an appendix to the first issue, will be given. With the present flood of statistical information contained in the *Monthly Digest of Statistics*, *Economic Trends*, the *Bank of England Quarterly Bulletin*, to mention only the main official sources, the student of financial affairs can now enjoy an *embarras de richesse*. However, with rising printing costs some of these publications are becoming expensive. Both money and labour could be saved if the C.S.O. were to undertake a little pruning and rationalization of the official statistics. To produce new statistics is one thing; to duplicate *in extenso* in several publications a host of other information seems rather wasteful.

PLANNING FOR CONSTRUCTION INDUSTRIES

A NEW organization connected with the building industry is to be formed to be called The Economic Advisory Council for the Construction Industries. Its chairman will be Sir Harry Pilkington. The committee will help organizations within the industry to consult on general economic development, national planning and productivity. In fact, the Council will act as an official spokesman for a large section of the building and construction industries to the National Economic Development Council. It will not discuss wage rates or working conditions.

[1] No. 1. May 1962. H.M.S.O. 7s 6d net.

The construction industries – along with consumer durable industries dependent upon hire-purchase facilities to sell a significant proportion of their goods – have suffered since the war from swings of activity generated by the State to control the rate of economic expansion. Both the construction industries and suppliers of building materials have found it difficult to plan for a steady and remunerative level of investment when the Government will quite arbitrarily modify the building programme, or encourage those putting up new buildings to slow down the rate of erection.

If the building and construction industries are to avoid these wide swings in activity in the era of fashionable planning which probably lies ahead, the planning techniques employed will have to be a good deal more subtle and sophisticated than they have been in the past.

SWITCH DOLLAR MODIFICATIONS

THE Chancellor of the Exchequer announced in the House of Commons last week a relaxation in direct investment through the switch dollar market. Since last July it has been possible to invest direct only where a clear and commensurate benefit was apparent in the short period to the balance of payments position. The Chancellor said that he was now prepared to permit investment to take place through the switch dollar market or to be financed by suitable borrowing abroad. The two existing switch dollar markets are being amalgamated.

Up to the present, the switch dollar market has been used only for the purchase of securities by residents in Britain from other residents in the United Kingdom who wished to sell their existing foreign securities. Approved direct investment will now have access to this market and, in effect, a little of the existing investment in securities will be displaced in favour of direct investment. The position will thus be substantially the same as before July 1961.

MULTILATERAL INVESTMENT INSURANCE

A PRELIMINARY statement has been put out by the International Chamber of Commerce to the effect that the I.C.C. has submitted to the Development Assistance Committee of the Organization for Economic Co-operation and Development a preliminary report on the desirability of setting up a world-wide government multilateral system of insurance. This would insure against risks, mainly political ones, which are not normally insurable on a commercial basis for private overseas investment. Political risks are seen by the I.C.C. as a major deterrent to investment in developing countries.

The scheme, however, goes beyond guaranteeing private investment abroad by governments of capital-exporting countries. It would be an element in a wider system of co-operation to improve the climate

of confidence between industrial and developing countries. The main conclusion of the I.C.C. is, therefore, that such a system should be multilateral and that developing countries should be full partners with responsibilities as well as privileges.

To make such a system effective the I.C.C. thinks that it would have to have certain features. First, membership of the insurance or guaranteeing fund should be drawn as widely as possible from capital-exporting and capital-importing countries. Secondly, all members should take part in the liabilities as well as in the privileges, and all members should undertake formally to observe certain rules of conduct. The scheme would cover only new long-term investments or extensions of old investments. The system should cover political risks (including that of creeping expropriation), the transfer risk (excluding the devaluation and exchange risks) and the calamity risk (excluding natural calamities) as defined in a recent report by the World Bank. This last included the results of a joint inquiry with the I.C.C. Finally, premium rates should be reasonable and the procedure should be such as to permit prompt payment of claims.

MACHINE TOOLS IN THE COMMON MARKET

THE development of the Common Market means that European manufacturers will have to extend their knowledge of competitors, potential customers and suppliers throughout all the Common Market countries. If Britain and other European Free Trade Association countries eventually join the Common Market their interest will extend to substantially all the important industrialized countries of Europe. Yet most existing industrial directories cover only one country and if, say, a British manufacturer of machinery wishes to list potential customers or suppliers of components he will be faced with a substantial task.

For this reason a new directory of the European machine tool industry[1] may well fulfil a growing need. The publishers state that it is intended for machine tool manufacturers with an eye on markets; for manufacturers of the numerous components sold to the machine tool industry with an eye on their customers; and for large users of machine tools who may find it a handy reference book listing specialist suppliers in all the countries concerned.

In addition to listing over 1,400 manufacturers in Western Europe, the directory includes a statistical review of production and trade in machine tools, in which the figures are presented as far as possible in standard form.

The recent census of machine tools in use in the United Kingdom, which revealed that 21 per cent were over twenty years old, coupled with the growing use of hire-purchase to acquire machinery incorporating the latest modern developments, may well result in a tendency to buy more machine tools more frequently. It will be interesting to follow these developments in future editions of this directory, which the publishers hope to make available possibly at intervals of two or three years.

[1] *Directory of the Metal-cutting Machine Tool Industry of Western Europe.* O. W. Roskill & Co (Reports) Ltd, 14 Great College Street, London SW1, price £8 post free.

BANKRUPTCIES IN 1961

THE annual general report of the Board of Trade for 1961 on matters within the Bankruptcy and Deeds of Arrangement Acts was issued last Monday.[2] It shows that in 1961 the number of receiving orders and administration orders in England and Wales was 3,521 – an increase of 720 over 1960.

The principal groups of trades and occupations affected were builders, retailers of hardware and electrical goods, road haulage contractors, retail grocers, farmers, retailers of motor vehicles and cycles, and directors and promoters of companies; these seven groups accounted for 1,457 failures.

The report also contains details of the results of 522 debtors' applications for discharge dealt with during the year and of the 163 prosecutions concluded in respect of bankruptcy and other offences reported by the Official Receivers (134 in 1960); of the 289 deeds of arrangement registered in 1961 and of the 272 deeds of arrangement in respect of which final accounts were rendered (233 in 1960).

OLD £1 NOTES

THE old type of £1 Bank of England notes, those not bearing a portrait of the Queen, will no longer be legal tender after Monday next. Though more than 160 million of these notes have been exchanged at the Bank of England since the forthcoming withdrawal was announced in February, some 90 million are still in the hands of the public.

The Bank of England are advising holders of these notes to present them at the Bank, pay them into banking accounts, or arrange for their exchange for notes of current issue, without further delay.

After May 28th, notes still outstanding can be exchanged on personal presentation at the Head Office of the Bank but holders are reminded that the Bank does not undertake to exchange notes through the post.

UNDER-EMPLOYMENT IN COTTON

SOME blunt words on the future of the cotton textile industry have been made in a report from the Select Committee on Estimates recently. It says that unless there is a quick and satisfactory solution to the related problems of imports of cotton piece goods and the utilization of capacity of the Lancashire cotton textile industry the £23 million paid out to assist the modernization of the industry will have been

[2] H.M.S.O. 2*s* net (by post 2*s* 4*d*).

to no purpose. There have been a number of gloomy statements from Lancashire in the last few months about the prospects for the cotton industry. The latest of these comes from the president of the British Spinners and Doublers' Association who has said that he agrees with the findings of the Committee. He said that since the reorganization scheme came into operation more than one company which has received a grant for re-equipment has had to close down.

The Committee's report discusses the Cotton Industry Act, 1959 and points out that large sums of money were voted by Parliament to modernize the industry. They say that although it is not part of their duty to comment upon Government policy which underlies an Act of Parliament they, nevertheless, feel bound to say that unless there is a solution to the industry's problems the money will have been wasted. When the legislation was introduced it was estimated that the likely cost of re-equipment to the Exchequer would be £30 million over five years, if there was a favourable response from the industry. In the event, about £12 million will have been spent on scrapping and the maximum Government outlay for re-equipment is currently running at about £11 million.

The issue which underlies this problem is whether colonial goods should be rationed in the United Kingdom market in the interests of a domestic industry. So far the Government has preserved the principle that there can be no complete stoppage of exports from the colonies to the mother country. The colonies have to be allowed to trade as well as receive aid.

This is My Life . . .

by An Industrious Accountant

CHAPTER 125

RECENT meetings with some of my old colleagues bring back to mind the urgent problems of those most valued members of the profession, the articled clerks. On their quality depends our future; but it is generally recognized today that inadequate attention has been devoted to furthering their interests. Who, for example, advises them on that most vital step, their ultimate entry into partnership on a permanent basis, in other words, marriage? Who counsels them how to pick the future managing directors of their private lives? Where, in the plethora of platitudes about their training, is there a paragraph about the guidance of their domestic capabilities or the furtherance of their nuptial proclivities?

Research has established firmly, on the basis of numerous actual case studies over years, that the average articled clerk is extremely interested in this ultimate achievement. He devotes much of his principal's time, ranging from perhaps 5 per cent in his first year to 20 per cent in his final year (with admittedly wide deviations from the norm in individual cases), to preliminary study of the subject-matter. This includes correspondence, telephoning, and debate during office hours, as well as extra-mural evening sessions of varied duration. Authoritative data are, however, limited, due to the neglect in the past of statistical analysis. Space restriction at this stage prohibits more than the chronicling of one actual past episode.

It was in our big common-room that Ned, an articled clerk of sophisticated outlook in his own estimation, was laying down his own guiding principles on wedlock for our edification. Immediate financial advantages, he explained, though undoubtedly of vital significance, must defer to predictable long-range benefits. Here the status of the progenitors of the chosen fortunates was the key factor. Of sound old British stock, naturally no alien blood could be considered; of county family or City of London connection, failing a scion of the Establishment class; possibly of the aristocracy, since association with an earldom, even with a minor baronetcy, might be beneficial to an ambitious accountant. Perhaps a Texan oil baron, or an Argentinian ranchero, might qualify by concession in special cases.

The essence of the choice lay in the contacts available; all the foregoing prerequisites envisaged membership of numerous directorates on the part of the lucky father-in-law to be. When one of his interests needed a chief accountant, even a financial director, why then, there was the pay-off. Wealth, prestige, honours, all waiting to reward the skilful strategist. In fact, he had listed in a little black notebook sundry names gleaned from his audits over the years, of suitable executives with nubile daughters. These statistics would be no less vital than the ones vulgarly so described.

Here Peter, a dignified colleague already engaged to the daughter of a bishop, interrupted indignantly, protesting against such mercenary opportunism. There was more to marriage than money, he explained.

Ned tolerantly accepted the minority opinion. True, true, he agreed, she must also have the positive virtues: sobriety, thrift, domesticity; be a brilliant hostess and suitably deferential to the chairman's wife, for a start. Peter retired, purple with outrage, and Ned mused happily over the prospects ahead.

Of course, there are exceptions to even the soundest rules. I met Ned again recently, after many years, and he introduced me to his wife . . . she was pretty and shy, with a soft Irish brogue. Their car was old and shabby; their address far from affluent . . . he's not a director of anything yet. They both looked perfectly happy and contented. So perhaps he's revised his principles since those early days; perhaps rules aren't a good idea, after all?

Finance and Commerce

From Lombard Street

THIS week's reprint comes from Lombard Street, the street in the City of London so intimately concerned in its name and in fact with banking and finance. Lombard preserves the memory of the banking merchants from Lombardy who settled there. At number 36 is the registered office of Gerrard & Reid Ltd, bankers and discount agents, who are now in the process of obtaining a Stock Exchange quotation for their Second Preference and Ordinary capital. The company is, or probably by the time these lines are in print, was, the only private concern in the Association of London Discount Houses, an integral part of the London money market. Conversion from private to public company is, of course, essential to the application for quotation and introduction of the shares.

The business was established in 1870 as a firm of running brokers with the style of Gerrard & Middleton and changed to its present title in 1892. The development which has given it its present status, however, has occurred since the Second World War. It was turned into a private company in January 1948, and in 1960 it was granted borrowing and rediscounting facilities at the Bank of England and elected to membership of the London Discount Market Association. Mr Kenneth Henry Whitaker, F.C.A., is now its chairman.

The Market

Fundamentally, discount market business consists in carrying 'paper' – bills and bonds – with money borrowed in the short loan market, usually very short. It should be part of an accountant's training to study the operation of the London money market, although some never quite seem to get the hang of it. Maybe it is that there is something quite outside ordinary experience in borrowing just for one day and going the daily round of lenders to see whether yesterday's money is good for another day.

The process, of course, begins with the lenders having money to lend and the particular sort of money that the discount market wants can be seen in the bank balance sheet item: 'Money at call and short notice'. There is only one banking asset which is more liquid and that is the 'Cash in hand and at the Bank of England'. Call money is always there in greater or less degree according to whether conditions are easy or tight; in other words, on the degree to which a particular bank needs to allocate its funds within its banking structure. And the discount market representatives go their rounds of the City each day, to the head offices of the home banks and

GERRARD & REID LIMITED

BALANCE SHEET, 5th APRIL, 1962

	Authorised £	Issued and fully paid £	1961 £		£	£	£	1961 £
CAPITAL				**CURRENT ASSETS**				
4½% Redeemable Cumulative Preference Shares of £1 each	150,000	150,000	150,000	Cash at Bankers and in hand			340,571	325,707
6% Redeemable Cumulative Second Preference Shares of £1 each	200,000	200,000	200,000	Bills Discounted less rebate				
Ordinary Shares of £1 each	750,000	750,000	750,000	British Government Treasury Bills		29,043,664		31,999,810
	£1,100,000	1,100,000	1,100,000	Commercial and other Bills		11,227,115		7,964,662
							40,270,779	39,964,472
CAPITAL RESERVE				British and Dominion Government and United Kingdom Corporation Securities (quoted), at under market value			14,790,059	7,993,498
Share premium account		49,004	49,004	Loans (secured) and amounts receivable			2,684,057	1,822,788
							58,085,466	50,106,465
REVENUE RESERVES								
General Reserve	150,000		100,000					
Profit unappropriated	147,416		83,268					
		297,416		**FIXED ASSETS**				
				Shares in subsidiary company at cost			97	97
Total Capital and Reserves		1,446,420	1,332,272					
CURRENT LIABILITIES								
Loans secured on Assets of the Company	55,790,000		48,455,000					
Deposits, other liabilities and reserve for contingencies	814,690		284,837					
Proposed final dividend on the ordinary shares less income tax	34,453		34,453					
		56,639,143	48,774,290					
		£58,085,563	£50,106,562				£58,085,563	£50,106,562

The notes on page [683] are to be read as part of this Balance Sheet.

K. H. WHITAKER } *Directors.*
A. I. OLDAKER }

REPORT OF THE AUDITORS TO THE MEMBERS

The accounts set out on [pages 682 and 683] are in agreement with the books which, in our opinion, have been properly kept. We obtained the information and explanations we required. In our opinion the accounts, amplified by the information given in Paragraph 3 of the Director's Report, comply with the Companies Act, 1948, in the manner authorised for discount companies, and on such basis give a true and fair view of the state of affairs and the profit which has been ascertained in the manner therein indicated.

the London offices of the Commonwealth and foreign banks, to renew their loans in hundreds of thousands and millions, or, if a bank is 'calling in', to balance the 'book' otherwise.

Interest Rates

The vital safety valve is the granting of borrowing and rediscounting facilities at the Bank of England, the 'lender of last recourse'. But there, of course, one deals on Bank rate, not market basis. In these days, the Bank of England terms have come to be called 'penal'. Another way is to lighten the holding of Government securities, the short bonds with no more than a few years to run, or less.

Simple though it may sound when summed up, it is really a highly specialized business in which personality and an instinct for market conditions can be valuable assets. The profit and loss account in the reprint shows what the running of a portfolio of over £50 million means for holders of £¾ million of equity capital.

Mr Whitaker, with these accounts, notes that the fortunes of the discount market fluctuated widely in the past financial year. There was the July crisis when Bank rate was raised from 5 per cent to 7 per cent which inevitably involved the market in losses. The cost of money goes up but there is no corresponding increase to be obtained at once from the assets on the other side. But the gradual reduction in Bank rate to 5 per cent, says Mr Whitaker, has restored profitably.

The dividend would have been raised from 10 per cent to 12½ per cent but for the Chancellor's request for restraint, but it is the intention to recommend 12½ per cent for the current year.

Statistics

HAVING already issued calendar year figures on interest and dividends, the London Stock Exchange now gives (in its recently published *Statistics relating to securities quoted on the London Stock Exchange*) the financial year view of market values and business. The total nominal value of all quoted securities by the financial year end on March 30th, had risen to a new record figure of £33,620 million. The total market value at £50,223 million, however, fell by £700 million on the 1961 total. Both the nominal and market value of Government securities – £21,819 million and £15,864 million respectively – fell on last year's totals.

The marks received – representing bargains recorded for *Official List* purposes – were 3,493,908 – the highest ever recorded with the exception of the 1959–60 figure of 4,396,175 which covered the 1959 election boom period. A total of 1,606 applications for quotation were granted during the year representing a nominal amount of £2,273 million, of which new cash subscribed accounted for £711 million.

GERRARD & REID LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 5th APRIL, 1962

The notes [opposite] are to be read as part of this account

	£	£	£	1961 £
Profit for the year after providing for taxation and transfer to reserve for contingencies			171,799	143,421
Profit brought forward from 1961			83,268	47,498
			255,067	190,919
Less:				
Dividends, less income tax				
On 4½% redeemable cumulative preference shares for the year ended 14th March, 1962	4,364			4,364
On 6% redeemable cumulative second preference shares for the year ended 14th March, 1962	7,350	11,714		7,350
On ordinary shares				
Interim dividend of 2½% (Paid 2nd December, 1961)	11,484			11,484
Proposed final dividend of 7½%	34,453			34,453
	45,937		57,651	57,651
Profit retained			£197,416	£133,268
Represented by:				
Increase in revenue reserves				
General reserve			50,000	50,000
Profit unappropriated			147,416	83,268
			£197,416	£133,268

GERRARD & REID LIMITED

NOTES ON THE ACCOUNTS

1. There is a contingent liability on bills re-discounted, excluding Treasury bills, of £5,018,630 (*1961 £3,565,803*).

2. (a) 50,000 of the 4½% redeemable cumulative preference shares shall be redeemed at par on 14th March, 1966, a further 50,000 shall be redeemed on 14th March, 1969, and the remaining 50,000 shares shall be redeemed on 14th March, 1972.

   (b) The 6% redeemable cumulative second preference shares are redeemable at the option of the company at 21s. per share on or after 14th March, 1977, but not later than 14th March 1980.

3. The amount recoverable in respect of income tax suffered in excess of taxation upon current profits has been included in "Loans (secured) and amounts receivable".

4. The following items have been charged in the accounts:—

	£	1961 £
(a) Emoluments of directors:		
For management (including £2,655 Pension Fund contributions)	29,405	29,066
Compensation payable to a former director for loss of office ..	—	*10,000*
	£29,405	£39,066

CITY NOTES

FOR all the periods of future boom, challenge and opportunity which are presumed to lie ahead, the stock-market, reflecting public investment opinion, seems particularly unimpressed. Generally, the equity markets have fallen back to their mid-March levels, which means that the rise which preceded and immediately followed the Budget has been lost.

Within that movement, however, there has been strength in individual sections – insurance, property and entertainment, to mention three. In the shares of manufacturing companies, however, the tone has been mainly easier.

That reflects largely the flow of adverse company profit and dividend statements during the peak period of company news covering financial years ending in December and March. Even the optimists among company chairmen have been able to do little more than suggest a feeling that things might improve.

Meanwhile, the City waits for signs of Treasury advice to the Chancellor to ease credit pressure. A small chink in the Treasury credit-control armour has come in the shape of a minor climb-down on overseas investment by industry, but something more potent is needed, in the City's view, to push the economy ahead.

The Government, however, seems more concerned with nailing the tattered shreds of its pay pause policy to the economic masthead. The crew would be better employed manning the pumps.

RATES AND PRICES

Closing prices, Wednesday, May 23rd, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 23, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

Mar. 16	£4 17*s* 7·57*d*%	April 19	£4 5*s* 4·31*d*%
Mar. 23	£4 9*s* 0·47*d*%	April 27	£4 1*s* 0·54*d*%
Mar. 30	£4 8*s* 1·16*d*%	May 4	£4 1*s* 9·72*d*%
April 6	£4 7*s* 4·62*d*%	May 11	£3 19*s* 8·71*d*%
April 13	£4 6*s* 8·54*d*%	May 18	£3 17*s* 1·04*d*%

Money Rates

Day to day	2⅞–3⅞%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	4–4 11/16%
Fine Trade Bills		3 months	4–4 11/16%
3 months	5½–6%	4 months	4–4 11/16%
4 months	5½–6%	6 months	4–4⅛%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·81⅛–3/16	Frankfurt	11·23–½
Montreal	3·05¾–·06	Milan	1744¾–5¼
Amsterdam	10·10¼–½	Oslo	20·05¼–¾
Brussels	139·99¼–¾	Paris	13·77½–¾
Copenhagen	19·37¾–·38	Zürich	12·13¾–·14¼

Gilt-edged

Consols 4%	63 11/16	Funding 3% 59–69	84 1/16
Consols 2½%	41	Savings 3% 60–70	81 5/16
Conv'sion 5¼% 1974	91½	Savings 3% 65–75	72
Conversion 5% 1971	92 13/16	Savings 2½% 64–67	87 13/16
Conversion 3½% 1969	87	Treasury 5½% 2008–12	90½
Conversion 3½%	55⅞	Treasury 5% 86–89	84 7/16
Exchequer 5½% 1966	100 5/16	Treasury 3½% 77–80	70⅝
Funding 5½% 82–84	93⅜	Treasury 3½% 79–81	70 15/16
Funding 4% 60-90	88 7/16	Treasury 2½%	40 9/16
Funding 3½% 99–04	62 3/16	Victory 4%	96⅞
Funding 3% 66–68	86½	War Loan 3½	55 11/16

Current Law

Contributory's Winding-up Petition Dismissed

THE petitioner in *Re Davis Investments (East Ham) Ltd* ([1961] 3 All E.R. 926) sought the winding-up of the company under section 222 (*f*) of the Companies Act, 1948, on the ground that it was just and equitable to wind it up, as he had lost confidence in the respondent, who was the only other shareholder – each of them held fifty shares – and was unable to continue to associate with him in the efficient conduct of the company's business. He claimed that the position was similar to that of partners who cannot agree, in which case the partnership may be dissolved, but he supported his petition with nothing but the statutory affidavit (see Form 9 in the Appendix to the Companies (Winding-up) Rules, 1949). No evidence was put in on behalf of the respondent, the defence being merely that the petition did not show any sufficient case for an order.

The Court of Appeal dismissed the petitioner's appeal from the decision of Plowman, J., who had dismissed the petition, pointing out that he had not the company's articles of association before him and so could not understand the legal rights of the parties. As Danckwerts, L.J., said in the Court of Appeal, it might be that the position of the contending parties might be decided by the terms of the articles, but the Court had been given no guidance as to whether or not it was.

Undue Influence by Intended Husband

S., who was about to marry Z., executed a deed whereby she relinquished all rights against his estate which she might have 'whether by virtue of the Inheritance (Family Provision) Act, 1938, of the Intestates' Estates Act, 1952, or by virtue of any statutory enactment or modification thereof'. The consideration for her so doing was the payment to her of £600 on Z.'s death in the event of the marriage being solemnized. The marriage took place and had the effect of revoking a will which Z. had made in favour of his children by a former marriage; he then

died intestate. His sons sought a declaration that S. was entitled to £600 only, and S. counterclaimed that the deed was not binding on her. One of the grounds of her counterclaim, and the one on which the case turned, was that she was at the time when she executed the deed engaged to Z. and had complete confidence in him in regard to financial matters, so that he stood in a confidential relationship to her and the agreement was procured by his undue influence.

In *Zamet and Others v. Hyman and Another* ([1961] 3 All E.R. 933) the Court of Appeal dismissed an appeal from Pennycuick, J., who had dismissed the plaintiff's claim and granted S.'s counterclaim. Lord Evershed, M.R., found that the relationship subsisting between a man and a woman engaged to be married was one which gave rise to an obligation of candour and protection and, furthermore, that the presumption of undue influence might arise although the parties were not young. (At the time of the engagement Z. was 79 and S. 71.) His lordship held that where a deed of arrangement or settlement between an engaged couple appeared on its face much more favourable to one party than to the other the Court might find a fiduciary relationship so as to cast on the party benefited the onus of proving that the transaction was completed by the other party only after full free and informed thought about it.

On the facts, their lordships found that strict proof was required that when S. executed the deed she fully understood its significance, after full, free and informed thought about it, and that the appellants had failed to discharge the onus upon them and to prove that S. really did understand and was fully informed about the transaction.

Date when Residue 'Realized'

IN *Re Petrie, Lloyds Bank Ltd v. Royal National Institute for the Blind and Others* ([1961] 3 All E.R. 1067) a share of the testatrix's residuary estate was (in the events which happened) held upon trust for 'any national appeal to the public which may exist in the United Kingdom at the time when the residue of my estate is realized' for contributions for certain research purposes. The question arose whether this gift was void for remoteness on the ground that the beneficiary might not fall to be ascertained until more than twenty-one years after the death of the testatrix.

The Court of Appeal (allowing an appeal from Pennycuick, J., who had taken the date of realization to be the point in time when the last of the estate was converted under the trust for conversion contained in the will) held that the words 'when the residue of my estate is realized' referred to the date when the shares of residue should be 'receivable or *de jure* receivable', viz. on the completion of the administration of the estate in the ordinary course or the expiration of the executor's year, whichever should first happen. As the administration of the estate had not in fact been completed within one year of the testatrix's death, the relevant date was in fact the expiration of that year. It followed that the gift was not too remote.

The Court left open the question whether, even if the words 'when the residue of my estate is realized' should be construed as referring to the date of the last sale, or the last statutory application, of assets, the Court ought to hold, having regard to the known facts about the estate, that the date intimated was one possibly as remote as, or more remote than, twenty-one years from the testatrix's death.

When a Beneficiary is 'Born'

TRUSTEES exercising their power of appointment over a trust fund set up by the will of S. appointed a part of the fund to W. for his life and after his death to any widow born in the lifetime of S. whom W. might leave him surviving during her widowhood. W. died leaving surviving him his widow, who was born six months and eighteen days after the death of S. and was accepted as having been *en ventre sa mère* at his death. In *Re Stern's Will Trusts, Bartlett and Another v. Stern and Others* ([1961] 3 All E.R. 1129) Russell, J. (as he then was), held that the fictional construction that a person *en ventre sa mère* at a particular date was born at that date, if subsequently born alive, should be applied. It appears that hitherto the rule of construction in question had only been applied in the case of class gifts, but Russell, J., said that he found it very difficult to see in reason or in logic why the rule should be so limited.

His lordship referred to *Elliot v. Joicey* ([1935] A.C. 209) where Lord Russell of Killowen said that the fictional construction might be applied only if its application would secure to a child a benefit to which it would have been entitled if it had been actually born at the relevant date, and that the only reason and the only justification for applying such a construction was that where a person made a gift to a class of children or issue described as 'born' before or 'living' at or 'surviving' a particular point of time or event, a child *en ventre sa mère* must necessarily be within the reason and motive of the gift.

Russell, J., said that it seemed to him that the reason and motive of the gift contained in the appointment was plainly to confer a benefit on W.'s widow; his lordship found nothing in Lord Russell of Killowen's statement of the principle which limited the application of the fictional construction to class gifts, and he accordingly declared that W.'s widow was entitled during her widowhood to the income of the appointed part of the trust fund.

Variation of Investment Clause

IN *Re Clarke's Will Trusts* ([1961] 3 All E.R. 1133) will trustees sought the Court's approval of an arrangement for enlarging their investment powers by deleting from the relevant clause of the will certain requirements as to dividend history and certain restrictions on the size of holdings in individual companies.

Since the Trustee Investments Act, 1961, came into force the judges have shown themselves disinclined to vary investment provisions so as to give

trustees wider powers than those which the Legislature has thought desirable.

Russell, J. (as he then was), expressed himself to be in agreement with the views which his brother judges had taken, but felt that in the instant case the trusts could be varied without conflicting with those views. The terms of the will permitted the whole fund to be invested in ordinary shares, though subject to the restrictions which have been referred to above. The Act of 1961, in so far as it permits investment in ordinary shares, places no fixed limit on the size of investment in any one company. Furthermore, in requiring a respectable dividend history, it provides (Schedule 1, Part 4, paragraph 3) that a company formed to take over the business of another company or other companies should have notionally attributed to it the dividend history of the company or companies taken over, whereas the testator's requirements as to dividend history made it impossible to accept shares in a new company.

Russell, J., decided that a variation of the investment provisions which brought the safeguards imposed by the testator more into line with those imposed by the Act could be made consistently with the Act and the decisions on variation reached after it came into force. His lordship accordingly made an order whereby the quantitative limitation on investments was removed and the statutory restrictions on investing in 'wider range' investments were substituted for the testator's requirements as to dividend history.

Notice of Meeting not Given

IN error, nine shareholders holding between them 101 out of 692,718 issued shares were not sent notices of an annual general meeting of a company at which a special resolution for the reduction of the capital of the company was to be proposed. Article 75 of the company's articles of association was in terms identical with those of article 51 of Table A to the Companies Act, 1948, which provides:

> 'The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.'

The question arose whether notice had been duly given for the purposes of section 141 (2) of the Act within the terms of section 141 (5). The relevant provisions of section 141 are as follows:

> '(2) A resolution shall be a special resolution when it has been passed by such a majority as is required for the passing of an extraordinary resolution [as provided in subsection (1)] and at a general meeting of which not less than twenty-one days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. . . .
>
> '(5) For the purposes of this section, notice of a meeting shall be deemed to be duly given and the meeting to be duly held when the notice is given and the meeting held in manner provided by this Act or the articles.'

In *Re West Canadian Collieries Ltd* ([1962] 1 All E.R. 26), Plowman, J., having observed that there appeared to be no authority as to the effect of such an article as article 75, held, on the facts, that the omission to give notice to the nine members was 'accidental' within the meaning of that article. This meant that the proceedings at the meeting were saved from invalidation. By implication article 75 also validated the manner of convening the meeting, since in the absence of such an implication there could be no meeting the proceedings of which could be validated by the articles, as it is well settled as regards a general meeting that failure to give notice to a single person entitled to receive notice renders the meeting a nullity. It followed that the special resolution (having been passed by the requisite majority) was duly passed.

Contract Made by Agent

THE plaintiff in *Davies v. Sweet* ([1962] 1 All E.R. 92) offered P., a partner in a firm of estate agents, £75 for certain land. The plaintiff paid P. £5 by way of deposit and received a receipt, written on paper belonging to the firm and headed 'Chartered auctioneer and estate agent'. So far as is material the receipt read 'Received' from the plaintiff 'a deposit of £5 for land on which Evans Row houses previously stood . . . sold at £75 . . . F. A. Phillips & Son [the name of the estate agents]'. The plaintiff sued for specific performance of the contract and the judge of the Merthyr Tydfil County Court made the order sought. The Court of Appeal dismissed the defendant's appeal.

The principal issue was the sufficiency, for the purpose of section 40 (1) of the Law of Property Act, 1925, of the receipt as a memorandum of the contract of sale. Ordinarily an estate agent has no authority to enter into or sign a contract on behalf of a vendor, but the Court of Appeal held that in the present case authority to enter into such a contract should be inferred from the circumstances. The Court of Appeal was satisfied that the land was adequately described in the receipt: the real question was whether the vendor was sufficiently described. The receipt contained no words to show that the estate agents were signing merely as agents for some principal in such a way as to show that they were not intended to be bound. If the purchaser had been ignorant of the identity of the principal, there was no doubt that the memorandum would be sufficient, but, in fact, the purchaser knew who the principal was.

In *Abdul Karim Basma v. Weekes* ([1950] 2 All E.R. 146), however, Lord Reid, delivering the advice of the Judicial Committee of the Privy Council, had said *obiter* that an agent who contracts in his own name does not cease to be contractually bound because it is proved that the other party knew, when the contract was made, that he was acting as agent. It followed that the agreement made in his name did not in that event cease to contain the names of the contracting parties and, therefore, did not cease to satisfy the statute. Applying that dictum, the Court of Appeal held that the memorandum in the instant case sufficiently contained the names of the contracting parties.

TWELFTH NATIONAL TAXATION CONFERENCE

SCARBOROUGH, OCTOBER 19th to 22nd, 1962

The twelfth National Taxation Conference to be organized by our contemporary *Taxation* is to be held in Scarborough from October 19th to 22nd.

The conference which will be under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*, is open to members of the accountancy and legal professions in practice, and to those in industry and commerce.

The provisional programme outlined below gives details of the business sessions and varied social events arranged; there will also be an attractive programme for the lady visitors.

PROVISIONAL PROGRAMME

All business sessions will be held in the Olympia Ballroom, Scarborough.

Friday afternoon, October 19th.

Short inaugural address by the Conference Chairman, Mr Percy F. Hughes, followed by a civic welcome by the Mayor of Scarborough, Councillor W. H. Smith. It is hoped that lady visitors will attend these events.

Address by Mr E. H. Gordon, B.A., taxation consultant with Slaughter & May, formerly a Principal Inspector of Taxes, Board of Inland Revenue, on 'Taxation problems of family companies seeking public finance'.

Chairman: Mr G. L. Barker, F.A.C.C.A., Immediate Past-President, The Association of Certified and Corporate Accountants.

Friday evening:

A reception and cocktail party will be given by the Editor of *Taxation* in the Ballroom of the Grand Hotel, to which all members and their ladies will be invited.

Saturday morning, October 20th.

Brains Trust: Questions on quotations from the Income Tax Acts and decided cases in the Courts.

Chairman: Mr James S. Heaton, F.C.A.

Panel: Mr J. Christie, A.C.A., Mr Maurice F. Coop, B.A., Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Mr L. Varty, H.M. Inspector of Taxes.

For the ladies: By special arrangement with Marshall & Snelgrove – A demonstration of care of the hair etc. will be held in the Ballroom of the Grand Hotel, to which all lady guests will be invited.

Saturday afternoon:

Address by Mr P. H. Sée, C.B., Parliamentary Counsel, on 'Drafting the Finance Bill'.

Chairman: Mr G. A. Usher, M.B.E., T.D., C.A., Immediate Past President, The Institute of Chartered Accountants of Scotland.

Address by Mr A. Dale, F.A.C.C.A., on 'Taxation and industry – with particular reference to tax problems concerned with United Kingdom entry into the European Common Market'.

Chairman: Mr A. E. Dawson, F.C.A., Immediate Past President, The Institute of Chartered Accountants in Ireland.

Saturday evening:

Civic reception and dance to be given by the Mayor of Scarborough in The Spa Ballroom. Evening dress or dinner jacket. Invitations will be extended to all those attending the conference.

Sunday morning, October 21st.

Morning Service for conference members and their ladies at St Mary's Parish Church, conducted by the Rural Dean of Scarborough, The Rev. Canon D. Oxby Parker, M.A.

Golf competition: An eighteen-hole Stableford Golf Competition for the *Taxation* Challenge Cup will be held on the course of the South Cliff Golf Club, Scarborough.

Monday morning, October 22nd.

Address by Mr Geoffrey Stevens, M.P., F.C.A., on 'History and work of the Ways and Means Committee of the House of Commons – with particular reference to the Finance Act, 1962'.

Chairman: Mr Ernest Long, F.C.I.S., member for finance and administration, Central Electricity Generating Board.

Address by Dr A. S. Silke, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.), on 'How fair is the United Kingdom tax system?'

Chairman: Mr F. M. W. Hird, F.C.A., F.C.W.A., Immediate Past President, The Institute of Cost and Works Accountants.

For the ladies: An interesting event is being arranged for the lady guests to the conference, details of which will be announced later.

In General

Special facilities will be granted to all members of the conference by the Corporation of Scarborough.

Readers wishing to attend the conference are asked to make a nominal contribution of two guineas per person towards the conference expenses. No further charge whatsoever will be made, all social functions being free. Those who attend will, of course, be responsible for their hotel accommodation and travel.

Early Application Desirable

Early application for registration for the conference is important as numbers have to be restricted. Special travel arrangements are being undertaken and detailed particulars of rail services are available upon application.

A registration form and list of hotels will be forwarded upon request to: The Conference Secretary, 98 Park Street, London W1. The choice of hotels is restricted and immediate application is advised.

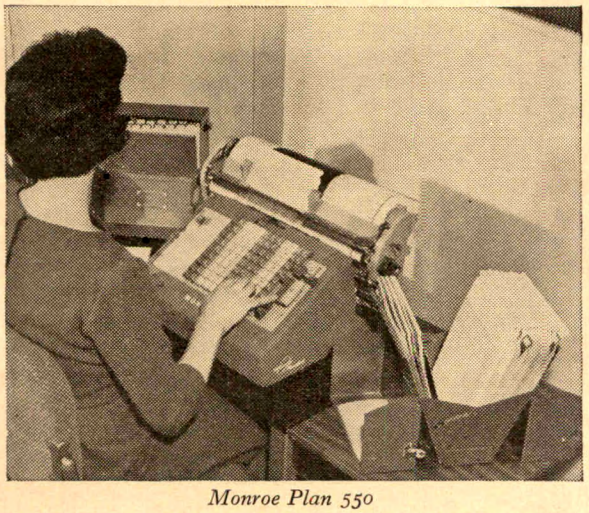
A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

New Office

'Package' Accounting System

TO businesses operating on a limited budget it is particularly important to know exactly what expenditure will be involved when contemplating installation of a new office system. A recently announced scheme by Monroe known as *Plan 550* (because the total cost is £550) provides, as a package deal, all the ingredients for a small machine accounting system.

The machine in question is the maker's *166B200* with full figure keyboard, which comes equipped with standard mechanical programme for sales ledger, purchase ledger and payroll. Other items are a machine stand with two side extensions, a posture chair, sufficient stationery to last several months, one or two ledger trays and a set of guide index cards. Installation time has been minimized and operator training procedure streamlined Should the machine ever break down, another, similarly programmed, will be supplied in as short a time as possible.



Monroe Plan 550

This new scheme supplements, but does not supersede, existing arrangements which provide programme variations and additional programmes where needed, contract hire, or rental before purchase.

Monroe Calculating Machine Co Ltd, Bush House, Aldwych, London WC2.

Decimals No Obstacle

PEOPLE who hesitate to put in a new accounting system owing to the uncertainty about adoption of the decimal system can go ahead with confidence if they use autographic registers. The makers of *Paragon* equipment point out that the only change needed in their systems, should decimalization be used, is the redesign of cash columns of customers' forms.

Autographic registers provide a compact and easy way of filling multiple copies of handwritten forms. These forms, designed to individual requirements, are automatically interleaved with carbon as they pass through the register. A single movement of a lever ejects all the completed copies but one, this being retained in a locked security compartment.

Typical applications for autographic registers, which can be supplied in portable form and with or without a cash drawer, are recording of retail sales, order-taking, stock issuing and invoicing.

Lamson Paragon Ltd, Paragon Works, London E16.

Medium-size Typewriter

THE increasing number of semi-portable typewriters now available shows that their usefulness is being appreciated. This is not surprising, as these machines are almost as sturdy as the standard kind, have many of their features, cost much less and can be moved from place to place without difficulty.

Olivetti, whose *Studio 44* (described by them as a 'desk model') falls into this category, have recently produced an improved version of this machine. New features include transparent paper holders to maintain a firm grip even at the extreme top and bottom margins of the paper and a paper table which provides a flat surface for making erasures and prevents paper from curling round the platen. These points, which may seem trivial to the non-typist, are worth-while advantages to the busy user.

The design of the carriage return lever and platen knobs has been improved, the makers say. Features retained from the earlier model include key-set tabulator, horizontal and vertical half-spacing, a four-positional line-space selector with an extra position for inter-line spacing and a carrying case. Typefaces are elite, pica and Bodoni.

Price £36 including carrying case.

British Olivetti Ltd, 30 Berkeley Square, London W1.

Unit Furniture

A REMARKABLE improvement in appearance usually results from the installation of modular furniture in an office. In a small room, its ability to economize in floor space makes a cramped area seem more spacious, and in a large office its clean-cut regular lines give a pleasing impression of order and purpose.

A new reasonably priced series of this type, *Unit Line*, is finished in light, medium or dark oak veneer with black plinths and satinized brass handles. A typical two-person work station comprises two single-pedestal four-drawer desks linked by a shared two-way bookcase with adjustable shelves. This assembly costs £56.

Other components are an extension two-drawer table unit, a free standing single-pedestal four-drawer desk with a top measuring 4 ft by 2 ft 3 in. and a similarly sized two-drawer table.

Delivery is normally made from stock, the makers say.

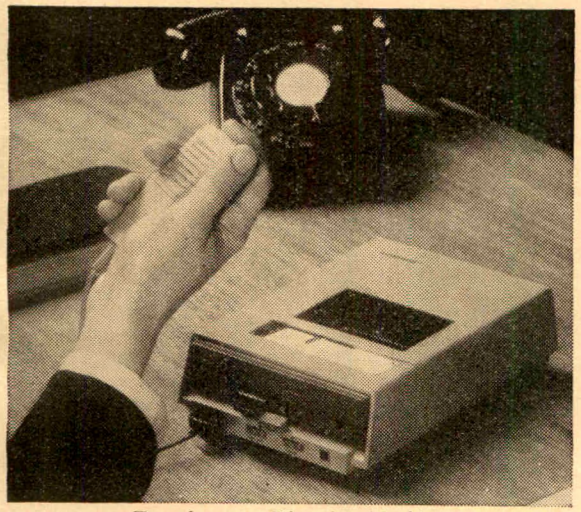
Free-standing desks and tables are priced at £21 and £17 15*s* respectively, extension desk units and table units are £17 15*s* and £15 12*s* 6*d*.

Glenhill Office & Industrial Furniture Ltd.

Equipment

Portable Recorder

A SMALL, lightweight dictating machine usually leads a busy life since, being relatively expensive, it is often shared by several people. Dictaphone's newest model, *Travel-master*, has therefore sensibly been designed to use a medium which may be transcribed on a full-size office machine, thus leaving the portable free for recording.



Travel-master Dictating Machine

Travel-master weighs less than 5 lb., measures 8 by 6 by 2½ in. and runs from re-chargeable nickel-cadmium batteries whose life is said to be as long as that of the machine itself. Up to four hours' recording may be done before recharging is necessary and dictation can continue while the machine is plugged into the main for battery recharging.

Like others in this maker's range, the portable model makes a permanent, non-erasable record on a light-weight flexible plastic sleeve which is discarded or filed after transcription. Cased in cast magnesium, it incorporates printed circuits and a three-stage amplifier with ten transistors.

Price of £105 includes a carrying case which also holds the 2 in. diameter charging unit.

Dictaphone Co Ltd, 17–19 Stratford Place, London W1.

For Mailroom Economy

ANY organization which frequently exchanges correspondence with, for example, branch offices or regular customers, could profit by studying a new catalogue issued by Envopak Ltd. Well produced and illustrated, this provides details and prices of a wide variety of plastic containers which form an economical and labour-saving alternative to envelopes, paper and string.

Envopaks, which are accepted by the G.P.O. even for registered mail, are made in flat, envelope shapes or with gussets for bulky contents. All have metal zips to which a metal seal is affixed. Pockets, covered with transparent plastic, carry address cards.

A typical set of supplies – four foolscap plastic envelopes, printed address cards, seals, stamp insert slips and two openers is priced at £6 6*s* 2*d*. Conservatively based on a two-year working life (three to four years is more probable) and five transmissions per week, this works out at 1·45*d* per time – a very favourable comparison with the price of stationery of suitable size and strength.

Envopak Ltd, Envopak Works, Powerscroft Road, Sidcup, Kent.

Line-selecting Duplicator

A REASONABLE price and some interesting design features will recommend the *Spacemaster* line-selecting spirit duplicator to firms who have not previously used this economical method for the filling of office and factory forms. The machine, which can, of course, also be used for ordinary spirit duplicating, is designed specifically for use in production, material and purchase order control, order dispatch and invoicing procedures and in any other systems where a number of documents of varying content must be reproduced from permutations of the same basic information.

The line-selection mechanism centres round an endless belt of new design. The master document, which can be inserted immediately at any time without 'zeroing' the machine, is wrapped round the drum with its length across the drum width. Lines are selected by a tabulator, controlled by a pedal, and supplemented by hand levers which allow a changeover from forward to backward movement or vice versa. Tabulator spacings, which correspond with line spacings on the duplicated forms, can be widely varied by a single control – a valuable feature which allows the use of systems employing forms with different spacing. Price: £385.

Office Mechanization Ltd, Ofrex House, Stephen Street, London W1.

Spacemaster Spirit Duplicator

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Brooke Bond & Co Ltd *v.* C.I.R.
Brooke Bond & Co Ltd *v.* Butter

In the High Court of Justice (Chancery Division)
April 6th, 1962
(before Mr Justice WILBERFORCE)

Income tax – Double taxation relief – Dividend from overseas company – Grossing-up of dividend for overseas tax – Deduction of sum equal to overseas tax – Loss by overseas company – Tax deducted repaid – Whether sum repaid is part of appellant's overseas income – Foreign possession – Whether amount repaid is income therefrom – Income Tax Act, 1952, Schedule D, Case V (section 123), section 248, Schedule 16, paragraphs 8, 9 – Schedule 17, paragraphs 1, 3.

The appellant held all the shares in an Indian company which in October 1954 declared a dividend of £18,000 on its preference shares, and also a dividend of £239,063 on its ordinary shares, for the period ended June 30th, 1954, and deducted from the latter £67,479 in respect of Indian income tax and £52,216 in respect of supertax. The Indian company paid to the Indian Revenue the sum of £135,417 in respect of income tax and supertax applicable to the dividend. The £67,479 was in Indian law a part of the dividend, representing an amount of tax deemed to have been paid by the Indian company in respect of the dividend, and was treated as a part of the appellant company's income for Indian tax purposes, and as having been paid on its behalf by the Indian company.

In a later year loss relief became available to the Indian company, and the amount of supertax, £52,216, and the amount of income tax, £67,479, making a total of £119,695, were repaid.

The appellant claimed unilateral relief, under section 348 of the Income Tax Act, 1952, in respect of the dividend, and contended that the amount of Indian tax, with which it should be credited for double tax relief, was the £135,417. The second respondents contended that only £67,938 should be credited, i.e. £135,417 less the £67,479. The Special Commissioners accepted the latter view.

An assessment in the sum of £325,001 under Case V of Schedule D was made upon the appellant in respect of its income from the Indian company. This amount was arrived at by (i) deducting the £119,695 from the £239,063, (ii) adding the preference dividend, £18,000, (iii) adding the £135,417. The appellant contended that the £67,479 included in the calculation of the £135,417 was not its income includible in the Case V assessment. The Special Commissioners decided that the £67,479 was so includible.

Held: (1) the £67,479, which had been refunded by the Indian Revenue was not a part of the appellant's credit for Indian tax for the purposes of unilateral relief; (2) the £67,479 was an item of the appellant's Case V assessment.

Fitch Lovell Ltd *v.* C.I.R.

In the High Court of Justice (Chancery Division)
April 6th, 1962
(Before Mr Justice WILBERFORCE)

Stamp duty – Purchase of shares – Agreement for sale of shares – Reduction of value of shares – Incomplete transfer deeds to sub-purchaser – Covering letter stating sub-purchaser as transferee – Sub-purchaser registered as shareholder – Whether transferred deeds stampable by reference to sale (not sub-sale) consideration – Stamp Act, 1891, sections 54, 58, 59.

The appellant acquired all the shares in a company (I.B.S.) in exchange for shares in itself valued at 30*s* 4*d* a share, and this sale took place on November 29th, 1958. On December 22nd, 1958, the appellant agreed to sell the shares to its subsidiary (Lovell & Christmas); and the agreement rested when steps were to be taken to reduce the value of the I.B.S. shares to 1*d*. On the following day a general meeting of I.B.S. created a new class of 400 preferred ordinary shares of 5*s* each, which conferred the right to a fixed preferential dividend at the rate of £2 million a year and to a payment of £3 million out of the assets on a winding-up. The auditors of I.B.S. then certified that the ordinary shares in I.B.S. were worth 1*d* each.

Completion of the sub-sale took place on December 24th, 1958, when Lovell & Christmas paid the price for the shares, 1*d* each, and the appellant handed over the transfer deeds signed by the original vendors but not completed as to the transferee. Lovell & Christmas submitted these deeds, as they were, to I.B.S. for registration, but accompanied by a covering letter stating that Lovell & Christmas was the transferee, and that company was registered as the holder of the shares in I.B.S.

The Inland Revenue assessed stamp duty of £36 on the covering letter, and they also assessed the stamp duty on the transfer deeds at £13,238 6*s* based on the original price of 30*s* 4*d*. The appellant appealed against the latter assessment contending that there had been a transfer of the I.B.S. shares direct from the original shareholders to Lovell & Christmas. The respondents contended that there had been two sales; and that the transfer deeds were stampable in respect of the first sale on the footing that the consideration was 30*s* 4*d* a share.

Held: whether the transfer deeds were conveyances on sale to the appellant or were conveyances on sale to Lovell & Christmas they were in either event stampable on the basis that the consideration was 30*s* 4*d* a share.

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Limited, 151 Strand, London WC2

STATUTES

(10 & 11 Eliz. 2)

Chapter 8: Civil Aviation (Eurocontrol) Act, 1962

An Act to make provision in connection with the international convention relating to co-operation for the safety of air navigation, known as the Eurocontrol Convention; to provide for the recovery of charges for services provided for aircraft; to authorize the use of certain records as evidence in proceedings for the recovery of such charges or proceedings under the Air Navigation Order; and for purposes connected with the matters aforesaid.

Price 1s net. *February 21st, 1962.*

Chapter 9: Local Government (Financial Provisions etc.) (Scotland) Act, 1962

An Act to provide in respect of the year 1961–62 for revision of the apportionment of expenditure and of general grants among local authorities in Scotland; to make further provision as respects Scotland with respect to the amounts payable in lieu of rates or by way of rates by the British Transport Commission, Electricity Boards and Gas Boards, with respect to relief from rates of charitable and other similar bodies, with respect to sums borrowed by local authorities and with respect to valuation Appeal Committees, demand notes for rates, and corrections of the valuation roll; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *February 21st, 1962.*

Chapter 10: Army Reserve Act, 1962

An Act to make further provision with respect to reserves for the regular army.

Price 1s net. *March 15th, 1962.*

Chapter 11: Consolidated Fund (No. 2) Act, 1962

An Act to apply certain sums out of the Consolidated Fund to the service of the years ending on the thirty-first day of March, one thousand nine hundred and sixty-one, one thousand nine hundred and sixty-two and one thousand nine hundred and sixty-three.

Price 3d net. *March 29th, 1962.*

Chapter 12: Education Act, 1962

An Act to make further provision with respect to awards and grants by local education authorities and the Minister of Education in England and Wales, and by education authorities and the Secretary of State in Scotland, and to enable the General Grant Order, 1960, and the General Grant (Scotland) Order, 1960, to be varied so as to take account of additional or reduced expenditure resulting from action (including anticipatory action) taken in accordance with that provision; to make further provision as to school leaving dates; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *March 29th, 1962.*

Chapter 13: Vehicles (Excise) Act, 1962

An Act to consolidate certain enactments relating to excise duties on mechanically propelled vehicles, and to the licensing and registration of such vehicles.

Price 2s 6d net. *March 29th, 1962.*

Chapter 14: Telegraph Act, 1962

An Act to consolidate certain enactments empowering the Postmaster-General to regulate the use of telegraphs and the general conduct of telegraphic business.

Price 5d net. *March 29th, 1962.*

Chapter 15: Criminal Justice Administration Act, 1962

An Act to provide for the appointment of additional puisne judges of the High Court, of assistant clerks of assize and of a sheriff for part of the West Riding of York; to amend the law relating to courts of quarter sessions and to the administration of criminal justice in England and Wales; and for purposes connected with those matters.

Price 1s 6d net. *March 29th, 1962.*

Chapter 16: Forth and Clyde Canal (Extinguishment of Rights of Navigation) Act, 1962

An Act to extinguish any right of navigation on the Forth and Clyde Canal, and the obligations upon the British Transport Commission to keep that canal open and to maintain it for purposes of navigation.

Price 5d net. *March 29th, 1962.*

Chapter 17: Commonwealth Settlement Act, 1962

An Act to extend the period for which the Secretary of State may make contributions under schemes agreed under section one of the Empire Settlement Act, 1922.

Price 3d net. *March 29th, 1962.*

Chapter 18: British Museum Act, 1962

An Act to enable the Trustees of the British Museum to lend certain works of art for exhibition in Vienna under the auspices of the Council of Europe.

Price 3d net. *April 18th, 1962.*

Chapter 19: West Indies Act, 1962

An Act to enable provision to be made for the cesser of the inclusion of colonies in the federation established under the British Caribbean Federation Act, 1956, and for the dissolution of that federation and for matters consequential on the happening of either of those events; to enable provision to be made for the establishment of common courts and other authorities for, and fresh provision to be made for the government of, certain West Indian colonies; to enable provision to be made for the establishment of new forms of government for combinations of such colonies; and for purposes connected with the matters aforesaid.

Price 1s net. *April 18th, 1962.*

STATUTORY INSTRUMENTS

The Charities (Registration) (Commencement No. 3) Order, 1962 (S.I. 1962, No. 698)

The registration of charities provided for by section 4 of the Charities Act, 1960, does not apply to charities founded before 1961 until dates to be appointed. This Order appoints September 22nd, 1962, as that date in relation to charities for the benefit wholly or mainly of any part of any of the administrative counties and county boroughs specified in the schedule and also in relation to 'general' charities, that is to say, charities not for the benefit wholly or mainly of particular areas within England and Wales.

Price 3d net. *April 2nd, 1962.*

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

TWENTIETH ANNUAL GENERAL MEETING

The twentieth annual general meeting of the London and District Society of Chartered Accountants was held in the Oak Hall of the Institute, Moorgate Place, London, on Tuesday of last week, Mr G. F. Ansell, F.C.A., Chairman of the Society, presided.

The annual report of the Committee was reproduced in *The Accountant* of April 28th.

CHAIRMAN'S ADDRESS

Proposing the adoption of the report and accounts, the Chairman said:

The notice of this meeting, the annual report for the year ended March 31st, 1962, and the accounts for the year ended December 31st, 1961, have all been in your hands for the requisite period. May I take it that you would wish to take these three documents, as well as the auditors' report, as read? (*Agreed*).

Mr G. F. Ansell

Accounts

The accounts do not show such a large surplus income as those of the previous year. This is largely due to the fact that it is neither necessary nor desirable for the District Society to build up large funds since all our essential expenditure is covered by grants from Institute funds. The main factor affecting our annual surplus is the degree of accuracy with which we are able to budget for self-balancing functions such as luncheons, dinners, conferences and the like. The deficit of £163 on these items in 1961 was somewhat more than the surplus of £125 in the previous year. This is, I think, how it should be – taking one year with another, we should hope to come out all square.

Two other factors affect the accounts. As explained in the annual report, owing to a change in timing, the District Society entertained two Presidents during 1961. Also, as I think is perfectly proper, the District Society took over from the Students' Society the pleasant duty of entertaining successful London candidates after the May and November examinations and introducing them to the facilities available to them through the district societies of the Institute.

Before leaving the accounts, I feel sure you would wish me on your behalf to say 'thank you' to the partners of Messrs Sydenham, Snowden, Nicholson & Co for their generous services as honorary auditors.

Membership

The membership of the Society has again grown but only by a meagre net forty members to 6,614. This may be an impressive total but when related to a potential membership of about 12,500 in the London area I am inclined to be distressed by what I consider to be an alarming degree of apathy. It distresses me to think that one in every two London chartered accountants has so little interest in his Institute as not even to ask to receive notice of functions arranged for his benefit and this notwithstanding that membership of the London and District Society is free for the asking.

This may sound like preaching to the converted, but I believe membership of a district society is important and is going to get more important. So much so that I would ask that any of you who have friends, colleagues or acquaintances who are not members will encourage them to apply for membership. I say this for two reasons: Firstly, district societies are already an established channel of communication between the ordinary member and the Council and vice versa. That this machinery is working satisfactorily up and down the country is evidenced by the lack of support given to the few members who challenged it at the annual meeting of the Institute a fortnight ago. Secondly, I have gained the impression during my year of chairmanship that the increasing size and status of our profession is placing on the fifty-five entirely voluntary members of the Council a growing burden which prudence may dictate should be relieved. I have been astonished at the number of hours a week, days

a month which our Council representatives cheerfully and voluntarily devote to our collective interests. This year the Institute has had a provincial president and, if I may say so, a very excellent president who must have done much to maintain and enhance the status of the profession. Many times during the year I have heard him make such remarks as 'I saw my office for an hour or two last Monday week' or 'essential work has to be done at week-ends'.

There is a limit to what we should expect of our national representatives and if pressure on their time is to be relieved it seems logical to me that some matters may have to be delegated to district societies which will inevitably enhance their importance. Should changes on these lines become necessary, I have no doubt whatever that the Committee of the London and District Society would willingly help in any way it could; the Committee in its turn would, I am sure, be much encouraged if more than the existing 50 per cent of London members demonstrated more tangibly their support by joining their district society.

Activities

I am not going to itemize all the activities of the past year – they are fully referred to in the annual report – but I would just say publicly a grateful thank you to all those eminent persons who have so kindly given of their time and spoken at our functions.

Small Practitioner Meetings

One happening during the past year stands out and that is the 'Small Practitioner' inquiry. This was initiated during the year and I think I can assure you and my successors in office that it will be with us for a long time to come. There was a most gratifying response both to the questionnaire and to the invitation to attend meetings, as a result of which a voluminous report has been submitted to the President. The President has told me that the response to his inquiry has been equally enthusiastic in other districts. There was an enormous amount of meat in the reports we and other districts have put in and none of us should be too impatient for tangible results. There must of necessity be some delay before all our comments can be assimilated and any necessary or desirable action taken. Particularly must this be so in the light of existing pressure of work on Council members.

In the meantime, I can say without fear of contradiction, that some of the criticisms made in the course of the inquiry are unfounded and arise from a lack of appreciation by members of facilities already available particularly through their district societies. For example, at one meeting a sole practitioner complained bitterly that when he had recently been seriously ill, his wife after much searching could only find an unqualified practitioner to assist in keeping the practice going. At almost the same time our Advice to Members Subcommittee was actively helping a small practitioner in exactly the same predicament.

I feel I cannot too strongly emphasize that all of us, and perhaps most of all the smaller practitioner, would gain an immense benefit from a closer association with his professional colleagues through his district society. On this point, may I quote from a paper read at the 1956 Summer Course by Mr Past-President Donald House:

> 'A very high proportion of the (disciplinary) cases relate to members practising alone. It is in my view very dangerous, both to himself and his clients for a member to take on more responsibilities than he can properly and diligently discharge. With no partners to consult or to rely upon in an emergency, a sole practitioner is in a very vulnerable position, especially in these days when all the work we do tends to become more and more complex. In case of illness or special difficulty a sole practitioner ought not to hesitate to seek the aid of a fellow practitioner.'

The District Society offers this facility to all members who wish to take advantage of it. Informal meetings are one of the best ways of achieving a comforting association between fellow professionals. Discussion groups, of which we have only seven to cover our enormous area and membership, are doing good work and there is scope for more. There is ample opportunity existing here for any energetic member to collect a few friends and start a discussion group, particularly in the outlying parts of our area. I am sure the London Committee would welcome and encourage the formation of new groups.

Benevolent Association

Reference to fellow members who fall on difficult times, particularly through illness, leads me to mention the Chartered Accountant's Benevolent Association. As you know the President of the Benevolent Association, Sir William Carrington, has recently asked for greater support. There is, of course, much truth in the statement that 'half a loaf is better than no bread at all' but on the other hand, niggardly charity can be a most unkindly act.

May I underline Sir William's appeal by putting it to you that benevolence within the profession is important even for the lowest possible reason of maintaining the good name of our profession. So I would ask you to assist the Benevolent Association Committee – to use Sir William's words – to:

> '. . . endeavour to give help commensurate with the current cost of living and provide our beneficiaries with a reasonable standard of life rather than a mere subsistence level – particularly where children are concerned'.

Conclusion

Finally, I wish on your behalf, to say a sincere thank you to all members of that happy team of fellow workers comprising the District Society Committee. I have enjoyed the privilege of being their chairman for a year. It has been a happy year because I think we have all been busy in the common cause of trying to maintain and if it is possible to enhance the status of our profession in the London area. Whether we come from large firms or small ones, whether we are employed within the profession or in industry and commerce we on the Committee have found that in common service there are more things which unite us than divide us. I trust that what little we have been able to achieve will commend itself to you and justify your confidence for the future.

ELECTION OF COMMITTEE MEMBERS

The report and accounts having been adopted, the result of the poll for membership of the Committee was announced as follows:

Members in Practice

Messrs G. B. Judd, B.A., F.C.A.; B. E. Basden, M.A., F.C.A.; B. A. Maynard, M.A., F.C.A.; J. A. Allen, F.C.A.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS HARMOOD BANNER, CASH, STONE & MOUNSEY, Chartered Accountants, announce that, as from May 1st, 1962, they have admitted to partnership at their Liverpool office, Mr GEORGE FURNESS APPLETON, A.C.A., MR PETER JOYCE RUSH, A.C.A., and Mr HOWARD WILLIAM FRANKLIN, A.C.A., all of whom have been members of their staff for some years. Mr D. V. HOUSE, F.C.A., who was to have been the senior partner resident in London, has been appointed a lay member of the Restrictive Practices Court. This appointment necessitates his withdrawal from professional practice, and it must be announced with the greatest regret therefore that Mr HOUSE will not now be a partner in the present firm.

MESSRS HOWARD SMITH THOMPSON & Co, Chartered Accountants, announce that as from May 14th, their London address is 17 Devonshire Square, London EC2.

MESSRS MOSS & WILLIAMSON, Chartered Accountants, of Booth Street Chambers, Ashton-under-Lyne, Lancashire, announce that Mr EDWARD RAINES, F.C.A., who has had a long and active association with the firm, has retired from practice as from March 31st, last, and the partnership hitherto existing between Mr RAINES, Mr WILLIAM MOSS, F.C.A., and Mr JOHN P. STANSFIELD, A.C.A., is being continued under the same style and name, by Mr Moss and Mr STANSFIELD.

MESSRS W. ROWLAND WALLER & Co, Chartered Accountants, of 148 Temple Chambers, London EC4, announce that they have taken into partnership Mr LAURENCE EDWARD TAYLOR, A.C.A., and Mr PETER CHARLES YATES, A.C.A., as from April 1st, 1962.

MESSRS SHEEN, STICKLAND & Co, of Alton, Hants, and Farnham, Surrey, announce that they have been joined in partnership by Mr PATRICK RENSHAW GOULDER, A.C.A.

Appointments

Mr Robert Beldam, M.A., F.C.A., M.I.MAR.E., has been appointed a governor of the Brunel College of Advanced Technology at Acton.

Mr Duncan I. Cameron, C.A., has been elected President of the Edinburgh Junior Chamber of Commerce for the year 1962–63.

Mr S. K. Hardy, F.C.W.A., previously chief accountant of the Osram Lamp Division has been appointed financial director of Osram (G.E.C.) Ltd.

Mr N. F. Hibbert, A.C.A., accountancy manager of Laporte Titanium Ltd, has been appointed a director of G. D. Holmes Ltd and Goole Docks Fresh Water Boat Co Ltd, subsidiaries of Laporte Industries Ltd.

Mr L. G. T. Farmer, F.C.A., executive vice-chairman of the Rover Company, has been elected president of the Society of Motor Manufacturers and Traders for 1962–63.

Mr A. E. Smith, F.C.A., chief accountant and assistant secretary of Morris Motors, has been appointed secretary of the company.

Mr J. R. Vernède, F.C.A., has joined the board of National & Grindlays Bank Ltd.

COMPANIES REGISTRATION

Change of Address

The Board of Trade have announced that, in order to bring under one roof again the Companies Registration Office and the Registry of Business Names, together with the 750,000 files relating to existing companies and recently dissolved companies now stored in three separate buildings, the Companies Registration Office and the Registry of Business Names are to be transferred to new premises at Companies House, 55–71 City Road, London EC1. (Telephone: Clerkenwell 9393).

Under a six-weeks' timetable they are to be moved from their existing premises at Bush House and Lacon House between June 1st and July 8th.

Stamping of Documents

The companies Registration Office are making arrangements to collect their fees in money instead of by means of impressed or adhesive fee stamps. There will therefore be no Inland Revenue stamp office at Companies House, City Road; and on a date to be announced, Inland Revenue offices will cease to stamp documents or supply adhesive stamps in respect of Companies Registration Office fees. Until that time the Registrar will accept fees either in money or in the form of fee stamps.

Remittances in payment of Inland Revenue stamp duties in connection with new company registrations or increases in nominal capital (10*s* each on the memorandum and articles, and an *ad valorem* duty on share capital) may be sent as hitherto to the Registrar of Companies, who will arrange for the documents to be stamped by the Inland Revenue. Registrants may, however, find that they can save time if they themselves get the documents stamped by the Inland Revenue before submitting them for registration. The methods of paying fees to the Registry of Business Names will not be affected by these arrangements.

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AGRICULTURAL MACHINERY TRADE

National Survey of Operating Costs

The third annual survey of operating costs in the retail agricultural machinery trade has recently been organized by the Agricultural Machinery and Tractor Dealers Association. In these surveys, conducted on a nation-wide basis, information on sales, expenses and certain balance sheet items is obtained from as many members as possible and the resulting averages, after collation by the Association's accountants, are made available and are of considerable assistance to dealers in operating their businesses at optimum efficiency.

The Association is anxious to enlist the support of accountants who are concerned with dealers' accounts in encouraging its members to participate in the surveys and to keep their accounts in a form which will enable them to derive full advantage from them.

CENSUS OF DISTRIBUTION

While, thanks to the excellent co-operation of traders, most of the returns in this year's Census of Distribution have now been made, the Board of Trade appeal to the minority of traders who have not yet dealt with their census forms to do so at once. They are reminded that the completion of these forms is obligatory under the provisions of the Statistics of Trade Act, 1947.

If further copies of the census forms are required they may be obtained from the Board of Trade, Census Office, Eastcote, Ruislip, Middlesex. (Telephone: Pinner 8771, Ext. 227).

INSTITUTE LIBRARY

The Librarian reports that among the books and papers acquired by The Institute of Chartered Accountants in England and Wales in recent weeks by purchase and gifts are the following:

The American Invasion; by F. Williams. 1962. (Anthony Blond, 18*s*.)

Basis for Marketing Decision through controlled motivation research; by L. Cheskin. 1962. (Business Publications, 35*s*.)

Comprehensive Bond Values Tables showing net returns on . . . securities paying interest semi-annually: fourth edition. (Financial Publishing Co.) Boston. 1958. (F. P. Co, 120*s*.)

The Duty of a steward to his lord . . . to which is added . . . (a plain and easy method to be practised . . . in keeping his accompts . . .); by E. Laurence. 1727. (David Low, 77*s* 6*d*.)

General Ledger Code. (Geo. E. Shnier & Co.) Montreal. 1962. (Presented by B. Lonsdale, A.C.A.)

*Lindley on the Law of Partnership; by Lord Lindley: twelfth edition by E. H. Scamell. 1962. (Sweet & Maxwell, 200*s*.)

Local Authority Borrowing. (Institute of Municipal Treasurers and Accountants.) 1962. (Institute of Municipal Treasurers and Accountants, presented.)

Managerial and Professional Staff Grading; by Joan Doulton and D. Hay. 1962. (George Allen & Unwin, 17*s* 6*d*.)

Marketing for Profit; by D. P. Gould. New York. 1961. (Reinhold Publishing Co, 44*s*.)

The Modern Law of Charities; by G. W. Keeton. 1962. (Pitman, 55*s*.)

Nine Addresses on the New South Wales Companies Act, 1961. (Australian Chartered Accountants Research Society.) Sydney. 1962. (Australian Chartered Accountants Research Society, presented.)

Playing with Infinity: mathematics for everyman; by R. Péter. 1961. (G. Bell, 25*s*.)

Revolution in Retailing; by Christina Fulop. 1961. (Barrie & Rockliff, 3*s* 6*d*.)

Simulation and Gaming: Symposium. (American Management Association.) New York. 1961. (American Management Association, 34*s*.)

The Solicitor's Guide to Development and Planning; by R. N. D. Hamilton: third edition. 1961. (Solicitors' Law Stationery Society, 47*s* 6*d*.)

Studies in an Inflationary Economy: the United Kingdom 1948–1961; by F. W. Paish. 1962. (Macmillan, 45*s*.)

'Taxation' Manual: tenth edition by P. F. Hughes. 1962. (Taxation Publishing Co, presented, 30*s*.)

The Taxation of Capital Gains; by A. R. Ilersic. 1962. (Staples, 21*s*.)

Understanding Profits; by C. Robinson. New York. 1961. (Van Nostrand, 107*s*.)

* This book has been presented to all District Society Libraries under the grant of books scheme.

THE NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

New President

Mr K. A. Buxton, F.C.A., a partner in the firm of Mellors, Basden & Mellors, Chartered Accountants, has been elected President of The Nottingham Society of Chartered Accountants for 1962–63. For the past year he has served as Vice-President.

Mr K. A. Buxton

Educated at Rydal School, North Wales, Mr Buxton was articled to Mr C. E. Lavender, of Mellors, Basden & Mellors, and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1938. He was appointed Near East representative of Mellors, Basden & Mellors at the beginning of 1939 and has been a partner in the firm since 1949.

During the Second World War he joined the Royal Army Ordnance Corps in Egypt and was later seconded to the United Kingdom Commercial Corporation, becoming chief accountant to the Egypt Branch. He was subsequently appointed chief accountant of the British Ministry of Food (Middle East).

Mr Buxton has served on the Committee of the Nottingham Society since 1953, and has represented

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the Society on the Taxation and Research Committee of the Institute since 1957.

Other new officers of the Society for the ensuing year are as follows:

Vice-President: Mr T. Ashton, F.C.A.

Hon. Secretary and Treasurer: Mr R. F. Holloway, F.C.A., Messrs Derbyshire & Co, Bentinck Buildings, Wheeler Gate, Nottingham.

Annual Report

The annual report of the Society states that the total membership at December 31st, 1961, numbered 460, a slight decrease over the year.

Congratulations are extended to Mr P. F. Granger on his election in June last year as President of the Institute, the first time a member of the Nottingham Society has held that office since 1924–25.

Several luncheon meetings were held during the year and the Society continued to hold lecture meetings for students on Saturday mornings, in conjunction with the Nottingham and District Technical College. For the session which commenced in February 1961, 185 students enrolled, a slight decrease on the number for the two previous sessions but a better average overall attendance was attained – 66 per cent of possible attendances against 62 per cent. It is stated, however, that the attendances of Final examination students continued to fall far short of the numbers expected. In view of the declining support given to the classes by students, discussions between the Tuition Scheme Committee and the Technical College were held with a view to effecting economies without impairing the standard and value of the lectures to the relatively small number of students taking advantage of the facilities and this, it is stated, has been achieved.

The Derby Branch of the Society held two lecture meetings and a luncheon meeting, and social events which were well supported included a dinner dance and the annual dinner.

The Committee records its appreciation of the services of Mr T. Ashton, F.C.A., honorary secretary of the Society from 1956 until his recent retirement from office. A presentation was made to Mr Ashton at the annual dinner held on March 7th.

THE MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

Annual Report for 1961

The annual report of The Manchester Chartered Accountants Students' Society for 1961, to be presented at the seventy-ninth annual meeting on Monday next, records that membership at the year-end numbered 1,440, an increase of ten. In his review of the year, the Chairman, Mr R. Hayton, A.C.A., refers to considerable development and progress in the Society in 1961. All the normal and well-established activities were continued – a comprehensive programme of lectures and visits was arranged – and a new development has been the introduction of discussion groups at which students were able to discuss between themselves and with a qualified leader the problems confronting them during the course of their studies. The groups have been meeting monthly, but it is hoped that if demand is sufficient it may be possible to run them on a regional basis throughout the area covered by the Society.

The Chairman states that for many years, successive social subcommittees have striven hard to infuse some social life into the Society, but have failed to win the support of the membership for the functions they have arranged. In the past twelve months, however, an extremely successful 'Tickers Ball', attended by over 700, was held; several less ambitious social events were also arranged and all were successful.

During the last twelve months or so, more students have been willing to join the Committee and take their part in the running of the Society and made it possible to introduce new rules increasing the number of student members, as opposed to qualified members, from a minimum of six to a minimum of ten. In addition, with a view to encouraging newly-articled clerks to take an early interest in the Society's affairs, one of the Committee vacancies at each annual general meeting is to be reserved for a student in the first year of his articles.

The sporting section of the Society was again active in 1961, over a hundred students having taken part in association and rugby football, golf, hockey, squash and tennis, and also chess. In all, thirteen matches were played.

The Bolton Branch of the Society arranged a number of lectures during the year; there was also a visit to a mobile exhibition of punched-card equipment given by International Computers & Tabulators Ltd.

PROFESSIONAL TRUSTEES' REMUNERATION

In the Weekly Note under the above heading in our last issue, we stated that an accountant and a solicitor, who were trustees under a will, had paid themselves remuneration of £1,983 17*s* 3*d* respectively, under the trustee charging clause. This should have read '. . . paid themselves remuneration of £1,983 17*s* 3*d* and £3,072, respectively'.

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THE ACCOUNTANT

ESTABLISHED 1874

JUNE 2ND, 1962 VOL. CXLVI. NO. 4563

CONTENTS

	Page
Improving the Short-term Gains Tax	697
Practising a Profession (*Contributed*)	699
The Accounting World	701
Credit Control by *G. H. Day*	703
Weekly Notes Another View on Decimal Currency – Stock Exchange Annual Meeting – P11D and Public Authority Employees – Payment under Guarantee Deductible – Financial Information – Background to the E.C.M. – Income from Profits	706
This is My Life . . . by *An Industrious Accountant*	708
Decimal Currency The Association Favours 100-Penny System	709
Electronics in the Office Investment Portfolio Valuation by Computer – New Data Centre – New Branch Office for Leo Computers	712
Finance and Commerce Lancashire United Transport Ltd – United Biscuits Ltd – City Notes – Rates and Prices	713
***The Accountant* Annual Awards** Presentation of the 1962 Awards by the Rt Hon. the Lord Mayor of London	717
Correspondence How to Decimalize the Currency – Appointments to the Council	727
Taxation Cases C.I.R. *v.* John M. Whiteford & Son – Gordon & Blair Ltd *v.* C.I.R. – Frasers (Glasgow) Bank Ltd *v.* C.I.R. – Doyle *v.* Davison – C.I.R. *v.* Luke	728
The Institute of Municipal Treasurers and Accountants Seventy-seventh Annual Conference	730
Notes and Notices	733

Improving the Short-term Gains Tax

THE provisions in the Finance Bill imposing tax on short-term gains took up some nineteen hours of House of Commons' time to pass through the committee stage. Nearly two hours of this was devoted to sub-clause (5) of clause 15 which gives wide inquisitorial powers to the Inland Revenue. Several members on both sides of the House expressed misgivings about this sub-clause. Mr JOHN HOWARD quoted at length from the observations which we made three weeks ago. We said then that if the object was merely to enable the Inland Revenue to ask for 'simple factual information, that is to say particulars of purchases or sales in which the agent concerned has acted on behalf of a named client', and not to inquire about advice given, then it was strange that the sub-clause expressly empowered the Inland Revenue to require any person to state whether he has acted for the taxpayer 'in connection with any acquisition or disposal of assets' by the taxpayer. Sir KENNETH PICKTHORN said:

> 'Ministerial assurances about legislation are always deceptive and often really insulting. The business of the Treasury Bench in passing this kind of legislation is to assure us, as honestly as it is capable, that words we are being asked to put in the Statute will have such and such effect and no further.'

It fell to THE ATTORNEY-GENERAL to defend clause 15 (5) and he began by roundly asserting that it was necessary and did not go beyond what was necessary. He denied something which we have not claimed, namely, that paragraph (*a*) of the sub-clause gave power to the Inland Revenue to ask a tax adviser what advice he had given. Paragraph (*a*) does give power to ask whether or not the adviser has acted on behalf of the taxpayer in connection with an acquisition or disposal. Ministerial assurances apart, would it be safe, in view of the penalties, for a tax adviser to decide that in examining the details of the transaction and looking up the law on the point, he was not 'acting on behalf of' the taxpayer? Moreover, it could well do more harm to a taxpayer to say baldly that he has sought and been given advice on a transaction, than to say what the advice was.

Paragraph (*b*) of the sub-clause sets out what can be demanded. It is information in the possession of the agent or adviser

> 'with respect to the acqusition or disposal being information as to matters specified in the notice which are relevant to the question whether the (taxpayer) is chargeable as aforesaid by reference to the acquisition or disposal, or are relevant to the computation of the gain or loss. . . .'

THE ATTORNEY-GENERAL said that the Inland Revenue would not want to know what the advice was; the obvious retort to that is to ask why then the Inland Revenue should be given the power. Pressed as to whether the sub-clause did not go farther than was necessary, THE ATTORNEY-GENERAL undertook to reconsider, before the report stage, whether paragraph (*b*) could be more precisely defined to accord with what he said it was meant to mean. When he is doing this, it is to be hoped he will look at clause 10 (3) (4) (6) where the question of motive arises. Sub-clauses (3) and (4) exempt transactions with a principal residence and with business assets, but sub-clause (6) denies the exemption where the acquisition was also made wholly or partly for the purpose of realizing a gain from the disposal. The Inland Revenue tend to take a somewhat cynical view of motives and they might well be concerned to make fishing inquiries as to whether the taxpayer took advice from tax experts before making the acquisition. It should be perfectly clear from the legislation whether they can or cannot make such inquiries.

The Government gratefully accepted the assistance of Mr GEOFFREY STEVENS in correcting the faulty drafting of clause 9 (7) which deals with profits tax on income falling within the new Case VII. The draftsman had overlooked the fact that a chargeable accounting period is not necessarily coextensive with an accounting period. The new paragraph (*b*) proposed by Mr STEVENS was accepted by the Government as putting the matter right. Under it, regard will be had to transactions within the chargeable accounting period, not in a particular period for which accounts have actually been made up. They also accepted an amendment, proposed by Mr STEVENS, to the original paragraph (*b*) of clause 9 (7). The draftsman had provided for set-off of losses and profits inside a profits tax group but only as between principal and subsidiary, having overlooked the possible existence of fellow subsidiaries in the same group.

The Government announced that the criticisms concerning the impact of the tax on mutual life assurance companies, to which we have already referred, were valid. An amendment will be introduced at the report stage to exempt mutual life companies. Other mutual insurance companies will not be exempt. They resisted a suggested proviso to exclude from the definitions of 'disposal of an asset'

> 'its disposition or destruction through act of God, *force majeure*, compulsory purchase and other causes outside the control of the taxpayer'.

The ECONOMIC SECRETARY said the destruction of an asset did not involve its disposal. The compulsory disposal of shares under section 209 of the Companies Act, 1948, did not seem to be a matter calling for exemption. One might add that such a disposal is not entirely out of the control of the taxpayer. Moreover it would be absurd if those shareholders who acquiesced had to pay tax, while those who did not escaped tax. As to compulsory purchase of land under statutory powers, many sellers who really wanted to sell might go the length of compulsory purchase in order to avoid tax. The ECONOMIC SECRETARY said he would examine the position of a bona fide reluctant seller. He would also look at the case of options on shares, given to employees.

THE ATTORNEY-GENERAL promised that where land was disposed of by lease, tax would not be charged on the capitalized value of the rent.

Clause 13 (8) defines 'share', in relation to a company not limited by shares, to include the interest of a member. But clause 13 (7) originally referred to 'share capital', which the Government has since been advised is not apt to cover a share in the extended sense given by clause 13 (8). Accordingly, 'share capital of' in clause 13 (7) was altered to 'shares in'.

Not surprisingly, the Ninth Schedule came in for some amendment, although of a minor character. Paragraph 2 (5) (*b*) was amended to:

> '(*b*) in the case of a contract to dispose of the asset, nothing in this *or the last foregoing* paragraph shall apply so as to treat him as disposing of the asset under the contract on the condition being satisfied'.

The Government introduced an extensive amendment to paragraph 10 (6), dealing with reorganizations of share capital. The amendment was to correct two anomalies. One object is to extend the application of the paragraph to a case where the allottee of bonus or 'rights' shares sells his old shares before taking up the allotment of the new. The other amendment ensures that where a person buys rights and then exercises those rights, the six months will run from the date of purchase of the rights, not from their subsequent exercise.

Practising a Profession

CONTRIBUTED

It is something of an event when a profession calls for an investigation of its own organization and activities. This has, however, been done by the Royal Institute of British Architects, whose recently published report, *The Architect and his Office*, constitutes a valuable survey of professional practice administration, service and productivity.

THERE are at least two reasons why the report should be of interest to accountants. The first is that although the two professions are far apart in some things they share the common problems of all professions in today's conditions. The second is that the report calls for closer collaboration between architects and accountants in improving the former's own standards of accounting.

Common Problems

All professions face common problems today. These include recruitment and training; shortage of suitable ancillary staff; costs which are much less confined than fees by traditional attitudes and usage. All face the competition of commerce and industry for staff and qualified personnel. All are affected in not dissimilar ways by the monolithic power of the State and the jobs it can offer at local or central level. Finally, all are faced with the fact that in this age the basic idea of professional work, that is of providing a confidential service to a client, is often less financially rewarding and even less socially gratifying in relation to other types of work than was once the case.

It is therefore reasonable to suppose that when a particular profession takes a dispassionate look at itself, it will have things to say which are of general interest to the other professions. The architects have taken such a look, assisted by management consultants, the investigation having been largely financed by a grant from the Leverhulme Trust.

There are two groups of subjects in the report which are not dealt with here. The first, obviously enough, are those subjects which are technical to the architect; the second is fees. There is no immediate common ground between designing a head office for a large public company and auditing the accounts of the concern which will occupy it, nor between the fees and bases for computing them for these services.

There remains, however, a wide field of common types of problem, notably on training and management. In what follows, these problems have been identified, though no attempt has been made to say that such-and-such is a problem for both architects and accountants and here is how the architects are being advised to solve it. The problems, and their solution or suggestions for improvement, are as seen in the R.I.B.A. report; the accountant must therefore run and read and decide for himself what is important and what may be interesting.

Difficulties of Structure and Growth

The report makes much of the difficulties arising from the structure of the profession. There are small practices, medium-sized ones and large ones. There are architects working for industry and those working for the Government and local authorities. Not all small practices deal exclusively with small jobs; not all large ones take on only big assignments. The idea of the typical professional office is thus largely a fiction. Many of the profession's problems of poor quality work and low productivity (a refreshing professional admission that such difficulties exist without detracting from the profession's overall standing among clients) arise from questions of growth in recent years throughout this patchwork professional structure.

Throughout the profession there is apparent a sense of isolation – a desire to see how other offices organize certain kinds of work – but it seems that this has yet to be articulate enough to impel the R.I.B.A. to take action to achieve greater co-operation. It may here be observed that the survey itself may be seen as a move in that direction.

Rapid growth has led to greater use of unqualified staff and a tendency for unqualified men to do jobs better left to their principals. There has, in fact, been a good deal of dilution of the profession and not surprisingly principals have expressed concern about the standard of training of non-qualified personnel. Growth has also put principals in a cleft stick on the issue of specialization *versus* diversification. They have found bigger turnover in specialization but greater personal satisfaction in diversification.

Disillusionment among trainees has arisen not only because in many cases they have dreamed of building palaces and see little in prospect beyond, say, a minor extension to the municipal *abattoir*,

but also because growth and staff shortage have made it difficult to offer good supervision and training in offices. Trained, qualified men have to be put full time on to fee-earning work rather than on to training their juniors. Day release and evening class tuition is less popular than sandwich courses among trainees. The former articled training system has already succumbed to economic pressure and is largely a thing of the past.

Chronic Problem

Staff turnover is a chronic problem. Those with a below-average rate of turnover seem to be those which delegate responsibility to assistants and which have a lively working atmosphere.

The Board of Architectural Education is aware of the training problem and is introducing a more formalized system of training involving an integrated seven-year period of instruction. It would seem that the architects are moving broadly in the same direction as industry in replanning trainee courses as the traditional type of apprenticeship becomes less common.

Growth has obliged many principals to spend an increasing amount of their time at meetings, in memorandum, report and letter writing and in decision-making, which has resulted in their forgetting some of their professional techniques. This, of course, fits in with greater delegation to non-qualified staff and leads on to the suggestion that a new type of technician should be developed. It is emphasized, however, that any move in this direction must take place only when youngsters attracted to such work are made quite clear about the limitations it will have on their careers. This would seem to be highly controversial ground unless the introduction of a new grade to serve the profession were to help the architect to practice more continuously his design skills. Nevertheless, the report sees higher productivity in the office as coming partly from the introduction of such a grade.

The report also notes that there has been a tendency as the profession has grown for specialists of various kinds to proliferate – on the whole with good results. Specialists, in this sense, range from consultants of professional status in various fields, to office managers supervising greatly expanded staffs.

Some of the sternest comments in the report are reserved for office organization. The investigation showed that offices as a whole achieved their best performance in technical efficiency. Quality of design came a not very good second; with management a very poor third. It is considered that there is urgent need to improve this last. Management theory and practice is regarded as a prerequisite of architecture, and the profession is called upon to improve its management aids, assisted by the R.I.B.A., which is called upon to produce a *Management Handbook* as soon as possible. Systematic management education for trainees is recommended, and the Institute should advise other professional bodies (including those in accountancy) that they are setting up standard bases in accounting, cost control, work measurement and management control. The profession generally is advised to improve the working environment of its office staffs. Overcrowding and poor amenities are common.

Management Research

As might be expected, when they come to management research the authors of the report are off into controversial waters. They are clearly impressed with the possibility of evolving readily available standards of work in actual professional and technical matters. For example, they suggest an examination of group practices and consortia to strengthen the technical resources of individual offices, and they also suggest that the function of drawings should be re-thought. They are thus much concerned with efficient short-cuts in professional work and the use of standard practices wherever these are available. They are unfavourably impressed by the fact that so much professional work is done (often of an elementary or routine nature) over and over again. In effect they say, if there can be progress in standardized components in the erection of buildings, why should there not also be progress towards standardized drawings and standardized design techniques. This is the direction in which they would look for some relief of the pressure on highly qualified and experienced professional men who are in danger of losing their basic expertise prematurely for lack of time and opportunity to practise it.

In an effort to make constructive recommendations about spreading the work load – the bane of all professional work – the investigators suggest an objective study of job allocation and a review of the professional attitude on advertising. This last probably goes too far for the R.I.B.A. – as for other professions – but it shows the importance which is attached to the question of getting a satisfactory even flow of work through the office.

Throughout the report there runs, if in modest form, the theme that the professions in general are moving together and have something of value to exchange with each other.

THE ACCOUNTING WORLD

Belgian Income Tax Reform

A CENTURY and a half ago Addington introduced the British system of income tax which provides for the schedular classification of income by reference to its nature, regardless of the status or identity of the recipient. He also introduced the principle of taxing income at source wherever practicable. These principles allowed for painless collection, combined with a pandering to the reluctance of taxpayers to reveal their total incomes. When surtax was introduced some hundred years later, the British tax system entered into a new phase, where emphasis was placed more and more on total income, i.e. on the unitary system.

The same or a similar process can be observed in other countries. The European Economic Community Treaty, which has among its objects the harmonization of tax systems, will no doubt give a fillip to this movement. Earlier this year the Belgian Government introduced a Bill, entitled *Projet de loi portant réforme des impôts sur les revenus*, which is designed to reform the Belgian direct tax structure and is an illustration of the movement towards the unitary system. The declared purposes of the Bill are:

- to divide the tax burden among Belgian taxpayers more equitably;
- to produce higher revenues, especially through measures to prevent tax evasion;
- to simplify the system;
- to stimulate the economy.

So important is this new Bill that *European Taxation*, the fortnightly review published by the International Bureau of Fiscal Documentation (to which we are indebted for our information), devoted practically the whole of its issue of April 16th to a detailed analysis of the provisions of the Bill.

Although, as we have said, the move is towards a unitary system of taxation, under which the taxpayer, particularly if he is an individual, ultimately pays a total tax which has reference to his own total income, the Bill not surprisingly provides for retention of the system of taxation at source by direct assessment on income as such, or by deduction of tax. Needless to say, tax suffered by deduction is largely brought into account in the final computation. To emphasize this, the provisions for deducted taxes refer to them as 'prepayments' (*précomptes*). Thus, as in the United Kingdom, the Belgian tax administrators seek to obtain the best of both worlds, but certainly at the cost of considerable complication.

Under the proposals, there will still in fact be more than one direct tax properly so-called. There will be four taxes, as follows:

- *Impôt sur les personnes physiques*, levied on the world-wide income of resident individuals at progressive rates ranging up to 55 per cent.
- *Impôt des sociétiés*, levied on world-wide income of resident bodies corporate which carry on business or have other income-producing activities. The rate is fixed at 30 per cent. Branches of non-resident bodies corporate will not be liable.
- *Impôt des personnes morales*, levied on public bodies (such as the State, provinces and municipalities) and other bodies corporate which do not carry on business or have other profit-making activities.
- *Impôt des non-résidents*, levied on income from Belgian sources derived by non-resident individuals and legal entities (including the branches of non-resident bodies corporate), at a rate of 35 per cent for legal entities and progressive rates up to 55 per cent for individuals.

Since the rates of tax on individuals are progressive up to 55 per cent, it is clear that the final liability of an individual cannot be determined until his total income is known. In Britain during the war, tax was deducted at source at a rate of no less than 50 per cent, because that was the standard rate, although it involved the repayment of tax in a large number of cases. To deduct tax (or collect it provisionally) at 55 per cent in Belgium would produce repayment claims in a very high proportion of cases. The proposals for what the Bill calls *précomptes* (perhaps 'payment on account' expresses the idea) are more modest, and in effect they incorporate much of the existing Belgian system.

There are to be three categories of *précomptes*, as follows:

- *Précompte immobilier*, levied by assessment on the estimated ('cadastral') income from Belgian immovable property. Non-residents using such property for business purposes may in some circumstances pay on actual income.
- *Précompte mobilier*, levied as a withholding tax on income from personal property. In some circumstances income from abroad may be subjected to a *précompte* by way of assessment.
- *Précompte professionel*, levied as a withholding tax on wages, salaries and pensions, and by way of self-assessment on the earnings of certain self-employed individuals.

These three proposed *précomptes* correspond respectively to the existing *Contribution foncière*, *Taxe mobilière* and *Taxe professionnelle*.

The *précompte mobilier* is perhaps the most complicated. The standard rate of deduction is 15 per cent, but where the payee declines to allow the payer to report his name and address (with the amount of the payment) to the tax authorities, then the payer must deduct a supplemental 15 per cent, making 30 per cent in all. The Bill has not yet revealed to what extent, if at all, this supplemental payment will be allowed as a credit in computing the taxpayer's ultimate liability. Where the payment is a dividend on shares, or otherwise represents a share of profit,

the effective rate of deduction is 18·2 per cent because the payment is grossed up on the basis of 121·4 per cent. There is also provision for a 'special credit' to individual shareholders (or sleeping partners) to reflect the fact that the company or partnership has already borne tax on the profits as such. *European Taxation* sets out detailed examples of the working of this system, which is on the lines of the British double tax relief and can, of course, produce some difficult arithmetical complications.

SOUTH AFRICA

New Legislation on Auditing

THE Public Accountants' and Auditors' Amendment Act, 1962, is designed mainly to clarify the provisions of section 26 of the original Act dealing with the powers and duties of auditors. Under the 1951 Act, an auditor who finds a 'material irregularity' of which he has cause to complain is required to report the matter in writing to the undertaking concerned. If he does not receive a satisfactory reply within thirty days, the auditor must immediately furnish the Public Accountants' and Auditors' Board with a copy of his report and of any replies thereto.

The amending Act defines a 'material irregularity' as one 'which has caused or is likely to cause financial loss to the undertaking or to any of its members or creditors'. In such a case, the Board is entitled to disclose the relevant information to an Attorney-General, an officer in the public service, or to any member or creditor of the undertaking.

Another important phrase to be expanded is the provision requiring an auditor to satisfy himself of the existence of the assets and liabilities shown in the balance sheet by 'the ordinarily accepted methods'. The amendment replaces this rather vague wording with an instruction that he must apply 'such methods as are reasonably appropriate having regard to the nature of the undertaking in question'.

This last provision demands no higher standard of auditing than has already been observed by responsible practitioners, but the new definition of 'a material irregularity' seems to extend the responsibilities of the auditor. He can hardly be held responsible for the policy pursued by the undertaking; his duties in this connection are still limited to *irregularities*. But to decide whether an irregularity is *likely* to cause loss to members or creditors could present the auditor with a type of problem he has not previously been called upon to solve.

CANADA

Federal-Provincial Income Tax Collection

THE agreements under which provincial Governments in Canada rented to the Federal Government their rights to collect individual and corporation income taxes are not to be renewed. From January 1st, 1962, all provinces will levy individual and corporation income taxes, as Quebec has being doing for years and as Ontario has done in the corporate tax field.

The provinces which have been renting their rights have arranged for the Federal Government to collect the taxes imposed by them. But Quebec will collect its own as before, and Ontario will continue to collect its own corporation tax. A provision of the collection agreements is that the provincial tax legislation shall be uniform (except as to tax rates) and in conformity with the relevant provisions of the Federal Income Tax Act and regulations.

OVERSEAS TAX DEVELOPMENTS

THE following notes have been made available by the Inland Revenue Library (Foreign Section).

Federation of Rhodesia and Nyasaland

The Income Tax Amendment Act, 1962, of almost fifty pages is mainly devoted to redrafting and to transferring certain provisions from the body of the Act to schedules at the end. Changes include:

Modification of the provisions relating to pension funds whose rules are changed after July 1st, 1960, so that, if more favourable, the amount of any lump-sum payment to be included in gross income and the deduction to be allowed in respect of contributions to the fund, may be replaced by the amount or deduction that would have applied had the rules not been changed.

Inclusion of provisions for the taking into account of the value of trading stock and for the treatment of hire-purchase agreements relating to machinery, etc.; both give statutory effect to existing practice.

The new Southern Rhodesian personal tax is not an admissible deduction.

The present provisions relating to co-operative agricultural companies are extended to similar co-operative societies.

The initial and annual allowances on certain farm dwellings are limited to the allowance appropriate to an original cost of £3,000; allowances given for past years are not amended.

Spain

The following changes are effective as from January 1st, 1962:

Individuals. The basic exemption under *impuesto sobre el trabajo* (earned income) is raised from 18,000 to 25,000 pesetas.

Companies. Spanish companies receiving dividends from overseas subsidiaries are allowed an 80 per cent exemption, i.e. only 20 per cent of the amount received need be included for *impuesto sobre sociedades* (corporation tax). A subsidiary is one in which the parent company has a 25 per cent interest or when apart from this, it exercises effective control of the subsidiary.

A Revaluation of Assets Law has been introduced, its application being optional. It covers the assets in Spain of Spanish and foreign companies. Companies may either (1) revalue and pay a 1·5 per cent tax on the increased value, or (2) set up a revaluation reserve, contributions to which will be an allowable expense against corporation tax.

Credit Control

by G. H. DAY
Internal Auditor to the Heal Organization

THE granting of credit involves a loss of liquidity with no financial return. On the contrary, net margins diminish because of the increased administrative burden. Nothing could be easier or cheaper than to sell one's wares or services on a cash basis. Tally rolls (or the like) show sufficient details for immediate reconciliation, and thereafter one is interested only in daily, weekly or even monthly totals of takings. Once credit is extended, extra paper flows and clerical staff must record comprehensive details, either in ledger accounts or by a voucher system. These are the firm costs; additionally, stationery and postage will probably be expended in rendering statements, some debts will need to be followed up, perhaps pursued to the Courts, and specialists may be employed to sanction future credit. The total expenditure coupled with the stagnation of capital may very easily lead the creditor to bankruptcy.

At the same time it must be remembered that money is a scarce commodity. In a relative way, this statement remains factual regardless of accumulated riches. Some years ago, I suppose that all of us started work on a Monday and gave our services on credit until the following Friday. Ever since, I suggest that there has been a tendency to pay when we are paid. Many potential buyers are literally unable to raise the purchase price on the nail. To others, a charge account is a symbol of prestige. If facilities are denied, it is likely that they will be granted by a competitor.

Here, then, is a problem for management. There must be a clear, positive policy but, within its bounds, free flexibility is essential. The line credit controller needs considerable discretionary powers and, in order to give his juniors vital experience, he should be permitted to delegate a part of his sanction authority. Of all accounting functions, this is perhaps the most hazardous, and a really useful executive in this field would be quite exceptional if he did not have behind him several staggering blunders.

Experience

As my observations throughout this paper will be limited by my own experience, it may be as well for me to mention briefly what this has been. The danger of allowing extended credit was brought home to me in my very first job. This was with an engineering firm, 50 per cent of whose output was for a single customer. The product was a patent cinematograph projector for which the market contracted drastically when nearly all cinemas were absorbed by three groups, all of which were interested in other projectors. When our customer was wound up, his debt to us represented nearly a year's turnover, and his only sizeable asset was a large stock of our own unsaleable instruments.

In time I took an interest in retail administration. Three houses have been good enough to employ me: a departmental store, a multiple fashion shop and a furniture business. My present employer firm was founded 150 years ago by an expert feather dresser who demonstrated his craft by stuffing pillows in an open shop window. His descendants added furniture to their interests, the pace being set by a great designer in this field. Keeping his standards in view, his sons have expanded the idea towards its logical conclusion within the wider scope of furnishing. As the business grew, it was found convenient to form or absorb subsidiary companies for the control of certain activities not directly concerned with the shop. The family group now includes companies dealing with building and decorating, architectural joinery and cabinet making, wholesaling and contracts (by which we mean orders to equip, for example, an office suite, a hotel or a ship). It is thus seen to be a classical vertical combination which can undertake every facet of furnishing, starting, if need be, with a plot of land, and finishing by hanging pictures on the wall.

I propose broadly to use this group structure – contracts, retail, wholesale – as a scheme for classifying several kinds of credit problems, though I may in passing draw elsewhere for some quoted examples.

Contract Work

The credit risks involved in contract work are not usually great. Most business comes from customers of the highest integrity – architects, Government departments or large organizations of national repute. There is no reasonable doubt about settlement. The difficulty is that the jobs take a long time to complete. Meanwhile, the costs of material and supplies, wages and other expenses, have to be carried by the contractor. It is customary in these cases for interim payments to be made against architects' certificates, but even when the work is complete it is not unusual for there to be a 'retention' of 10 per cent for a period of six to twelve months. The accountant should be fully briefed on such arrangements so that he knows what he may expect at given stages. Moreover, he can make claims as a matter of routine. One understands that the customer would be pleased to keep the cash in his pocket as long as possible, but, oddly enough, sales-

Address given to the London Chapter of the Institute of Internal Auditors.

men are often quite reluctant to ask for money. The accountant is considered somewhat naïve for wanting to bother such a customer for 'odd bits and pieces'. Once, when the customer was a trade union, it was seriously thought that we ought not to let 'them' think we were short of money! Obviously these examples are exceptional; normally, transactions in this group are of a very happy order.

More doubtful may be some companies which specialize in exhibitions, stage and television studio work. The prospect of attendant publicity is sufficiently tempting to blunt caution but, while no generalization is intended, there are many mushroom organizations in this category. From time to time, new orders are received from companies about which nothing is known, and perhaps the greatest nuisance value comes from officials of customer companies who want personal purchases at contract rates.

Retail Shop

In assessing the credit-worthiness of all comers to a shop, one must be prepared for many headaches. The well-groomed emerge as rogues and the shabbily dressed as shareholders; there are those in funds who are bad payers. The cynics quickly develop a 'looking-glass' mentality, never accepting people as they seem.

Also encountered are those who invent their own terms – without, of course, advising the creditor! When I reminded a dilatory Chelsea artist that she would have to pay monthly, she replied that her sole object in opening the account was to delay settlement until she sold some pictures. The proprietress of a Bournemouth hotel was furiously indignant when her account was closed, although a ten-month-old debt was settled only after we had threatened Court action. She claimed not to have read the letter or its predecessors. Certainly she had noticed our follow-up letters but she ignored them because, she said, if we had used any intelligence, we should have realized that she would pay at the end of the season.

Sometimes difficulties are aggravated by poor salesman-technique. Having already tilted once at my colleagues, I will not make much of this, but the credit controller can be greatly embarrassed if a salesman has been over-optimistic of facilities that will be granted. On other occasions the accounts section is represented as an ogre-like 'they', which does not help in subsequent negotiations with the customer.

In its simplest form, credit is technically granted in the acceptance of a cheque for goods to be taken, a risk which is normally accepted by most large shops. Sometimes customers are asked to support their identity – say, with a driving licence – and it is usual for the name and address to be noted on the cheque. This illusory protection does not fool us, but the ritual impresses alike junior staff and lay customers. We would not normally cash a cheque for someone unknown to us.

If a credit account is opened, it is on the understanding that it will be paid net monthly on presentation of a statement. This is of special convenience to customers who make several purchases during the month, and it tides them over to the next salary remittance.

It is in the realm of extended payments that one meets that section of the community which has been described as the financially illiterate. Gullible folk can be persuaded to increase their total debt when they think only about the small weekly increment to instalments. The worst examples of high-pressure salesmanship are experienced at the hands of door-to-door tally men and second-hand car vendors. Practices have been disreputable enough to evoke special legislation, and there are modifications even now in the offing. The situation becomes more complex because the control of hire-purchase is one of the tools of fiscal manipulation. The proportion of the deposit and the period of repayment are regulated, and the hirer must be spoon-fed with information about the cash price, his rights and his obligations. The law seeks to protect both parties, and in certain circumstances the creditor can recover his goods. Unfortunately, the realization value is often negligible. One way or another, the retailer becomes involved with additional burdens which are not covered by his nominal service charge; the notion that this represents interest earned is quite ludicrous.

However, the demand for extended payments is met, either in this form or by variations on the theme which are not so rigorously controlled. These include credit-sale agreements which require no deposit, the whole debt being settled by regular equal instalments; and subscription accounts for which a regular sum is paid and credit is allowed up to x times the amount of the subscription.

By contrast, there is the lesser problem of credit to staff. Within limits cheques are cashed and advances on salaries are allowed. Properly authorized cash floats are available to those travelling on business. Discount is allowed on purchases for cash; credit accounts may be opened, but usually with a restricted privilege of discount.

Wholesaling

My experience of wholesaling is confined to furnishing items all of which are exclusive to the wholesaler. This is a true expansion of a market already known to exist through trading in the shop. Most of the customers are other retailers, whose problems we know only too well. Otherwise the goods are ordered by Government departments, local authorities, stage fitters and officials of customer companies requiring personal purchases at wholesale rates; in other words of the same ilk as the contract customers.

Code of practice provides that the wholesaler's trading is confined within these bounds. Though not legally enforceable, this effectively discourages direct sales to the public. It is usual in the trade to offer discount for prompt payments, which has the desired effect in most cases, but some customers prefer to pay net regularly two to four months in arrear.

Sanction

Let us now consider just what kind of safeguards are practicable to assist management in this rather complex problem. When asked to charge purchases, the salesman will inquire whether an account has been opened. If the answer is negative, the customer will be asked to complete a form nominating two trade referees and a banker. The banker does not in fact tell us much, but it is comforting to be told that he knows the customer. The other referees are normally asked how long they have known the applicant; to what extent they have allowed credit, and whether payment has been made promptly. Personal testimonials are of only marginal value. Inevitably there is the person seeking credit for the first time who offers as a referee his vicar. Although I am a churchman, in this context I would rather have a guarantor.

But if the customer avows he has an account, there is a dilemma: the statement may be true or false; and, if it is true, the account may be bad. It is impracticable in a large shop for every charge to be referred to the ledgers while the customer waits, so some discretion should be given to sales staff, but the amount must be strictly limited. According to the seniority of the individual, this might range between £2 and £50.

Many retail organizations have adopted the use of personal account cards. If the customer presents one of these and can reproduce the signature it bears, he is allowed to take goods almost without question. But two dangers are obvious: the account may be in arrear, and the shopper may not be the true owner of the card. Consequently there must still be limits to the value of goods taken. Beyond this stage the matter should be referred to the counting house. (This, incidentally, is our rather quaint way of describing the sales ledger section.)

The worry is, of course, primarily about 'take' goods. When purchases are to be sent, the paperwork initiating the delivery automatically passes through the counting house. If sanction is withheld, the customer will receive a letter, probably accompanied by a *pro forma* invoice.

In cases of contract and wholesale business, where the question of taking goods rarely arises, probably all orders can be sanctioned by the accounts department.

Trade Organizations

Both retailers and wholesalers have their trade protection associations. On inquiry they will assess a credit rating and produce the names of all members who have previously sought information about the customer. Those whom he did not quote, incidentally, will be noted with interest, because it is not unknown for people to nurse a couple of accounts specially to quote them for references.

Extension of this idea into a wider field leads us to the Export Credits Guarantee Department. This is an insurance scheme by which the Government, recognizing the greater difficulty of credit rating and debt collection in overseas markets, seeks to relieve the exporter of this burden. In response to inquiry, the Department will specify a credit limit and a premium will be charged in ratio to the value of exports, the rate varying for different countries. If accounts fall into arrear, the Department takes over the collection, and in the event of default the exporter stands indemnified for the greater part of his debt.

Collection

Collection procedure is fairly standard in most organizations. One starts with a detailed statement; next month is sent the account rendered, with or without 'stickers' (according to taste). Two or three graded stereotyped letters may follow before the matter receives more personal attention. This leads to the threat of legal proceedings, which is about as far as the normal administration can go.

The papers are passed to solicitors or other agents, who will make further application for settlement. If this is unsuccessful, the matter may be pursued with Court action, but consideration is given to the size of the debt and the likelihood of its recovery before one becomes too deeply committed in legal proceedings. It is not only a matter of costs. Careful study of the law of contract, sale of goods and so on, may be of only academic interest. Very often the defence pleaded is alleged inefficiency by the supplier. Even if this is proved false, the company will have suffered adverse publicity, and this factor must be weighed against the actual recovery anticipated.

Internal Audit

The internal auditor's function here – as always – is to safeguard the company's interests by seeing that its policy is properly carried out. As I hope has been suggested already, he will not be looking for adherence to hard-and-fast rules. He must remember that credit is a personal matter and it may need tailoring to personalities. This is not to contradict my earlier remarks. The auditor must satisfy himself that deviations from the standard were authorized by a responsible official and that his decision was not made lightly. Moreover, the decision must not become a precedent: all exceptions must be treated on their merits.

The question of sanctions can best be dealt with by sampling. A random selection of live accounts can be subjected to a simple questionnaire:

(*a*) By whom was it sanctioned?
(*b*) Was it within his discretion?
(*c*) Were the references adequate?
(*d*) Were they satisfactory?
(*e*) What is the payment record?
(*f*) Have legitimate complaints justified late settlement?

On the collection procedure, the auditor should see that statements are sent off directly after the month-end close-down or at the appropriate times if cycle billing is operative. The follow-up letters mentioned should be watched in the case of 'regulars'. If the routine always follows the same pattern, your debtor

knows he can safely wait for the final demand notice. It is most important to see that threats are actually carried out. I mentioned earlier that the company may exercise a waiver at the point of litigation. Where this has happened, the circumstances must be thoroughly scrutinized.

As to staff accounts, my own policy since the introduction of a clearance certificate for those leaving the employ is to make a complete review twice a year for overdue accounts, and I include examination of all cash floats. From time to time a sample of staff accounts is checked for discount validity.

Discounts allowed to the wholesale customers are also subjected to scrutiny. Clearly discount deducted from payments received late should be forfeited, yet every month many debtors draw their cheques on the due date, and a week may elapse before the recipient's bank account is credited. Having managed a bought ledger section for some years, I am not schizophrenic enough to be too harsh in these cases. Nevertheless, it is important to ensure that discounts claimed are not automatically allowed; and when disallowed the matter must be brought home to a responsible official of the customer company. Otherwise the clerks at each end may play ducks and drakes with each other until they build up a hopeless discrepancy between them.

Evaluation

In summing up, one could observe that if the period of credit is reduced, a contraction of financial costs will follow; that if arrears are promptly followed up, bad debts may be avoided. But in terms of money it is quite difficult to show positive savings resulting from an audit in this sphere. The real importance of credit control in a company's organization lies in its direct relationship with the customers on matters about which most folk are extremely sensitive. You will normally hear little of it until something goes wrong, and when that happens your company's goodwill is in jeopardy. For this reason, I commend such an audit to you as well worthy of your attention.

Weekly Notes

ANOTHER VIEW ON DECIMAL CURRENCY

IN this issue, we reproduce the memorandum of the Council of The Association of Certified and Corporate Accountants on the decimalization of the currency recently submitted to the Halsbury Committee. The reasons for supporting 'a major unit of 100*d*' are set forth simply and clearly and the way in which the Council marshals its arguments will command respect even from those who do not agree with the conclusions reached.

As noted in these columns two weeks ago, the Association is not the only professional body first to have favoured retaining the pound as the principal unit and then to have changed its views. The Council of The Institute of Chartered Accountants in England and Wales has already circulated its reasons for advancing the claims of the 10*s* unit, after further consideration of the problem, and the Council of The Institute of Cost and Works Accountants has come round to the same opinion in its memorandum of evidence to the Committee which we hope to reproduce next week. In this document, the pound is dismissed as too large a unit by international standards and one which cannot easily be decimalized. It seems evident that the Council hesitated between the 10*s* system and the 8*s* 4*d* system but, while appreciating that the adoption of the latter would serve to maintain existing values in small transactions, easier comparison of major units ('a factor of 2 is more readily understood than a factor of 2·4') is among the advantages which have now made it opt for the 10*s* system.

STOCK EXCHANGE ANNUAL MEETING

THE annual meeting of the Stock Exchange on May 24th was of more than usual interest this year to outsiders. The chairman said in his speech that the negotiations are proceeding satisfactorily with the Post Office to incorporate in their existing site the plan to rebuild the Stock Exchange. Design plans of the new Stock Exchange are expected to be ready in the next few months and if these are considered suitable they will be submitted to the planning authorities for approval in the autumn.

The year just ended has seen the introduction of new rules of membership, also rules for the creation and dissolution of firms and concerning firms' accounts. A committee has started work promoting the co-ordination and possible unification of the activities of stock exchanges throughout the United Kingdom. On this committee there are representatives of the Council of Associated Stock Exchanges and the Provincial Brokers' Stock Exchange. The possibility of allowing broker firms to establish branch offices overseas is still under consideration by the Council.

The chairman also referred to the advertising campaign which started on April 9th. This did not come within the financial year under consideration which ended on March 24th, 1962. The purpose of the campaign is to explain the function of the Stock Exchange but not, at this stage, to invite business. There has, however, been a significant increase in the number of applications for the short list of

brokers since the campaign began. The annual average number of applications for the list over the last three years was 3,466. Since April 9th, 3,645 applications have been received.

P11D AND PUBLIC AUTHORITY EMPLOYEES

IN the House of Commons on May 24th, the Economic Secretary to the Treasury confirmed that the new forms P11D for expenses and benefits of employees applied to employees in the nationalized industries, since they carried on trade. They did not apply to ordinary civil servants, nor to employees of local authories except where they were employed in some trade. Mr Barber said that 'their expenses payments are more strictly regulated than is generally the case in industry and commerce. Therefore, the ordinary pay-as-you-earn machinery is normally sufficient'.

This is not a complete answer because the legislation applying to industry and commerce does not merely provide for a strict regulation of expense payments. It imposes tax on payments which are not taxable in the hands of civil servants or employees of local authorities.

PAYMENT UNDER GUARANTEE DEDUCTIBLE

SOLICITORS who have lent money to clients and lost it have tried in vain in the past to claim the loss as a deductible expense for income tax. The existing authorities could not be said to be in a very satisfactory state. It seems now that Mr Justice Pennycuick has reversed the trend. He held that a firm of solicitors could deduct a payment of £412 made in consequence of their having guaranteed the overdraft of a client of theirs. According to *The Financial Times* of May 24th the Appeal Commissioners had found as a fact that the solicitors had been guaranteeing their clients' overdrafts for the last thirty years and this was the first time that they had had to pay. The Commissioners were also satisfied that other solicitor firms were accustomed to giving such guarantees, usually for temporary purposes, and that the £412 in the present case was expended wholly and exclusively for the purposes of the profession.

The Crown having appealed, his lordship said that the firm's practice was a sensible and proper activity – particularly since in the present case the guarantee was given in a transaction involving a purchase of property on the client's behalf. The expense was properly allowed.

FINANCIAL INFORMATION

ONE of the major obstacles in the way of forward economic planning in peace time is lack of full knowledge of current economic trends, such as would enable corrective measures to be adopted in good time. The problem is often one of balancing the value of a particular item of information against the difficulty and cost of obtaining it.

Reference to this problem was made at the recent annual general meeting of the Industrial Bankers' Association. The Radcliffe Committee on the Working of the Monetary System recommended that statistics should be collected at regular intervals from financial institutions covering the main financial assets and liabilities. It was suggested that this information together with figures from other institutions should be used to draw up a single account for financial institutions as a group with a view to showing the change taking place in the structure of their assets and the current flow of funds from the financial sector as a whole to other major sectors of the economy. After discussions between the Statistics Division of the Board of Trade, the Finance Houses Association, the Hire-purchase Traders' Association and the Industrial Bankers' Association, a suitable form was drawn up and agreement was reached that its completion should not throw an unreasonable burden on members.

BACKGROUND TO THE E.C.M.

A BOOKLET has been issued called *Britain and the European Communities*[1], which gives a summary of the present working of the European Economic Community with the statistical data which is necessary for appraising the advantages and disadvantages for Britain in joining the European Common Market. There has been a series of booklets of this kind put out under various auspices. The case for another lies mainly in the fact that the situation is continuously changing and the statistical data has to be brought up to date.

The booklet gives a brief account of the establishment of the European Coal and Steel Community and such organizations as Euratom. It then goes on to show how the E.E.C. established under the Treaty of Rome operates. There are then sections on the European economy as a whole showing the trend of United Kingdom output compared with the member countries of the European Common Market, the trend of employment, wages and costs. The pamphlet points out that although labour costs in Britain are somewhat higher than those in some European countries, it does not follow that costs per unit of output are out of line. If average hourly labour costs in the manufacturing industry are compared for April 1959, approximate social costs being included in the calculations, the United Kingdom has a better record than any of the members of the Common Market except Western Germany. At 66*d* per hour costs in this country compare with 67*d* per hour in Western Germany and 92*d* per hour in Sweden. Switzerland has the same figure as Britain.

There are sections dealing with the trade of Commonwealth countries with Europe and also closing sections on what will happen if Britain joins the Common Market and on Western Europe's prospects of prosperity in the world as a whole.

[1] H.M.S.O. Price 3*s* net.

INCOME FROM PROFITS

THE trend of profits is discussed in the latest (May) issue of the *Bulletin for Industry*. It points out that profits have borne most of the effects of short-term fluctuations in demand and output. In consequence, over the years 1953 to 1960, they rose as much as wages and salaries on a percentage basis, but their progress was much more uneven. This would be expected since profits are by their nature a residual item.

There has been a tendency of recent years for the proportion of company income distributed as interest and dividends to rise and the proportion taken in taxation to fall, but with the fall in company profits in 1961 the rise in dividend distribution has slowed down.

There are two sources of data on profit trends. The first of these is the series put out by *The Financial Times* and similar series. The Central Statistical Office provides another series. The two series show different degrees of fluctuation in profits but they reveal a broadly similar trend. A feature of both is that they do not give very up-to-date information. The Central Statistical Office series now gives figures for the fourth quarter of 1961 and the series based on companies reporting in *The Financial Times* is available up to the third quarter of 1961. In order to put both series on a comparable basis the Bulletin shows each quarter as a percentage change on the same quarter a year before and includes a six-months' timing adjustment to allow for the time-lag in company reports. Both sets of figures show a drop in profits since the first quarter of 1961, which accords with general experience since the end of the last boom.

This is My Life . . .

by An Industrious Accountant

CHAPTER 126

THERE'S a book of humour called *1066 and All That* which has among its many gems a knack of describing historical personages succinctly as Good Things or Bad Things. This type of libellous appellation is capable of extended use. Take chairs, for example, just ordinary office chairs. Surprisingly enough, they can be Bad Things.

The basic point about a chair is not so much its size or its shape or its softness; it's the ease with which one sits in it. When it becomes a sort of status symbol, then this basic point looms large in business importance. I noticed this suddenly when I had a session with our personnel director recently.

Prinny is a character who looms large in our organization, and not merely because of his rotund bulk. His naval service stands him in good stead, also. Behind his natural geniality and his professionally-posed phlegmatic impassivity, lies hidden a readiness to blow his top. He can bawl out a defaulter like Captain Bligh at his worst; it's always a case of 'Breakers ahead'.

However, he greeted me cordially with a 'Pull up a chair, old man': we settled down to discuss the possibility of pruning the accounts staff, as there's a fierce economy drive under way. Before long, he needed some statistics, so he summoned his assistant, a rather weedy type with a nervous eye, and questioned him briskly. Weedy wasn't asked to sit down, though the questioning dragged on somewhat. It was only then that I noticed that all the chairs in the room were placed well back against the panelled walls, and it was a big room. Twice Weedy cast a furtive glance at them, but Prinny didn't take the hint. He chatted on in his bluff quarterdeck style. Weedy wasn't the man to break off the conversation, turn away to the wall, pull forward a chair to the director's desk and sit down calmly. His status was tacitly fixed and understood; it was just one of those things. Not that Prinny wasn't more than courteous to him, of course, but Weedy simply hadn't graduated to the appropriate level yet.

After Weedy had departed, we decided there could possibly be scope for improvement in the punched-card section, and in a revised layout for the cashiers. So we summoned the internal auditor – a dedicated young man with an intense approach to problems – to discuss the matter. He stood there for a few moments, legs wide apart, hands clasped behind him, brooding deeply, while we outlined our ideas. Then his eyes blazed with inspiration behind his thick black-rimmed spectacles.

'You know, you've got something there, sir,' he said 'Look, by re-routing the duplicate receipts . . . let's draft a new work-flow chart.' He put a foolscap pad on Prinny's desk, and pushing aside with brisk efficiency an ashtray and an ornamental brass gadget, he sketched rapidly some lines and symbols. Still talking, he crossed the room with long strides, and hauled back a chair one-handed, perching determinedly on its edge. All his attention was bent on his hardworking pencil . . . 'this triangular box', he went on, 'indicates comptometers.'

While we studied the plan he sat back thoughtfully, lit a cigarette, and exhaled a long grey cloudy column; clearly he was a man who had never heard of status symbols. Prinny measured him for a moment with a glowering glance, but his innocence was obvious. We asked him to check the details and prepare a report.

'That young man will go far,' said Prinny cryptically as he put the two chairs firmly back against the wall later. I didn't ask him what he meant; I just mentally registered chairs as Bad Things.

Decimal Currency

The Association Favours 100-penny System

A Memorandum submitted on behalf of the Council of The Association of Certified and Corporate Accountants to the Committee set up by the Chancellor of the Exchequer under the chairmanship of the Earl of Halsbury to inquire into the method and cost of decimalizing the currency.

Introductory

FOLLOWING the invitation extended to this Association by the Halsbury Committee, the Council of the Association (hereinafter referred to as 'the Council') has considered the matters covered by the Committee's terms of reference and desires to submit the observations which are set out hereunder.

2. The Council has been advised that the terms of reference of the Committee are as follows:

(*a*) To advise on the most convenient and practical form which a decimal currency might take, including the major and minor units to be adopted.

(*b*) To advise on the timing and phasing of the change-over best calculated to minimize the cost.

(*c*) To estimate the probable amount and incidence of the cost to the economy of proposals based on (*a*) and (*b*).

Accordingly its consideration of the problem has been confined to those terms.

Convenient and Practical Form of Decimal Currency

3. In considering the most convenient and practical form of decimal currency, the Council took into account the following points:

(*a*) The major unit selected should be capable of decimal sub-division, which would produce a lowest minor unit suitable for practical day-to-day purposes, e.g. newspapers, bus fares and housewives' shopping.

(*b*) An endeavour should be made, if possible, to avoid the inflationary tendency which might arise if minor units of a slightly greater value than the present ones were selected.

(*c*) It would be desirable to restrict the number of decimal places and at the same time to endeavour to keep the number of digits of an amount expressed in the new currency somewhat the same as an amount expressed in the existing currency.

(*d*) In considering the advantages of any one system over another, it is desirable that a long-term view should be taken and, while some link between the old and the new may be desirable, the new system should not be merely a compromise to avoid temporary transitional problems.

4. The Council considered that the selection of appropriate units of currency involved a choice between the following:

(*a*) (i) Selecting the present £ and subdividing it into one thousand parts.

(ii) Selecting the present £ and subdividing it into one hundred parts.

(*b*) (i) Selecting a major unit related to the present £, but less than £1, e.g. 10*s*.

(ii) Selecting a major unit related to the present £, but greater than £1, e.g. £5.

(*c*) Selecting first the minor unit and building it up to a major unit, e.g. a minor unit of 1*d* and a major unit of 100*d*.

(*d*) Selecting an entirely different unit of currency not related in any way to the present system.

5. The Council could see no advantages in selecting an entirely different unit of currency not related in any way to the present system, and it therefore gave its attention to the five possible methods set out in paragraph 4 (*a*), (*b*) and (*c*) above. The various aspects of these proposals have been compared and the results tabulated in the Appendix to this memorandum.

6. Before arriving at a conclusion, the Council examined the major points which arose from making the comparisons referred to in the preceding paragraph.

(*a*) The selection of the present £ and subdividing it would result in the following advantages:

(i) The prices of articles and services over £1 would retain a substantial identity with their present prices.

(ii) There would be no alteration in the Foreign Exchange value of the £.

(iii) The present coinage of 6*d* and upwards is capable of being expressed as a precisely equal value to a specified number of thousandths of £.

The following disadvantages would, however, arise:

(i) Prices under £1 would lose their identity.

(ii) While the present £ is divisible by 10 without departing from the present coinage, further sub-division by 10 involves the introduction of coinage not related to the present coinage.

(iii) Division by 100 to the second decimal place gives a minor unit equal to 2·4*d* which is too large for many purposes today, and therefore division by 1,000 to the third decimal place is necessary to arrive at a suitably small unit.

(iv) Coinage of 3*d* and lower would not equate exactly in value with a thousandth part of £.

(v) It would be inflationary at lower prices.

(vi) Lengthy notice of the change would be necessary for both usage and change-over of machines.

(*b*) The most favoured major unit other than the £ is the 10*s* major unit. The advantages of this method of decimalization are:

(i) A division by 100, as in the case of South Africa, might be sufficient. This would lead to a lower unit equivalent to 1·2*d* which might be small enough for most normal

purposes. While this would avoid the disadvantages of the third decimal place referred to in the first method, there would be the inflationary tendencies referred to above.

(ii) The selection of a small major unit would make its international value more in keeping with some of the other important international currencies than the present £.

The disadvantages are:

(i) Values expressed in the new denomination would have no common identity, either in large or in small sums, with the present system, and it might take people longer to familiarize themselves with the currency.

(ii) It may be argued that there would be a loss of international prestige.

(*c*) The selection of the £5 major unit has the main advantages and disadvantages set out above, but the following additional disadvantages appear to arise:

(i) It is too large a unit.

(ii) It requires at least four places of decimals to work satisfactorily.

In any case, it only differs from the 10*s* system inasmuch as the decimal place is in a different position.

(*d*) The final proposal is to select the first minor unit and build it up, i.e. taking 1*d* as the minor unit and 100*d* as the major unit. The advantages of this particular system are:

(i) The old system can be translated precisely into the new system without any shift in relative values whatever as the halfpenny would continue in use as at present. Inflationary tendencies are therefore avoided.

(ii) The prices of articles and services under 8*s* 4*d* would be easily identified with present prices.

(iii) The present currency could still circulate for the time being concurrently with any new coinage, without difficulty.

(iv) The selection of a smaller major unit would make its international value more in keeping with some of the other important international currencies than the present £.

(v) Short notice would be required of a change-over to this system.

The disadvantages are as follows:

(i) Although values are exactly convertible from the present system to the proposed new one, larger values would not be so easily identified.

(ii) It may be argued that there would be a loss of international prestige.

7. After careful consideration, the Council felt that of the five methods mentioned, three warranted serious consideration:

(*a*) The sub-division of the present £ into a thousandth part, with a designation of, say, a mil. The £1 and 10*s* notes, the 2*s* and 1*s* coins could be retained (although the last three would have to be redesignated). New lower denominations of coins would be necessary. The 6*d* and 3*d* could continue to circulate, but would need to be replaced in due course.

(*b*) The use of the 10*s* unit with one hundred sub-units of only 1·2*d*. Apart from the size of the sub-units, it had no real advantages over the division of the £ into 1,000 parts.

(*c*) The use of the major unit of 100*d*, which would involve the gradual replacement of the present coinage by 5*d*, 10*d*, 20*d* and possibly 50*d* coins.

8. In considering the merits and demerits of the three selected methods, the Council was initially in favour of adopting the £, because of the desirability of retaining the present basic unit and the possible effect abroad of the abandonment of the unit of currency which had been in use for generations. However, the disadvantages of the proposal compared unfavourably with the advantages of the 100*d* unit, and the Council therefore came to the conclusion that the 8*s* 4*d* unit possessed the least number of disadvantages.

9. The Council therefore submits that, while there are advantages and disadvantages in all the various possible methods, it considers that the 100*d* unit possesses the greatest advantages with the least disadvantages.

Timing and Phasing of the Change-over

10. The Council feels that as the adoption of the 100*d* unit would mean an exact convertibility at all levels from the old currency to the new, a limited amount of notice is all that would be necessary, but, having regard to the fundamental nature of the change to decimal currency, a notice of one year would be reasonable and adequate.

11. The Council has also given consideration to the question of the phasing of the change-over, and feels that if the existing currency could circulate concurrently with the new currency, the change-over could be effected in one operation. The new currency could be introduced gradually, but cashiers handling money in bulk would be faced with some transitional difficulties in handling and making up the two different types of currency. A period would therefore need to be set during which both types of currency would circulate. To some extent this period would have to depend upon the cost of replacing the coinage, and also the period within which coin-operated machines and meters could be altered. The Council is of the opinion that a time-limit should be set, and that a period of five years for the complete elimination of the old currency would not be unreasonable.

Probable Amount and Incidence of the Cost to the Economy

12. The Council does not possess sufficient information for the purpose of advising the Committee on the probable amount and incidence of cost to the economy of the various proposals for decimalization. It has, however, recommended the selection of the 100*d* unit since that system would not only cause the minimum of inconvenience, but would also appear to be the least costly of the methods because of the exact translation of values from one system to the other. It appears to the Council that costs would fall under the following headings:

(*a*) To the community as a whole:

(i) Printing of new notes. As, however, the life of notes in any case is comparatively limited,

the additional cost under this head need not be substantial.

(ii) The eventual minting of a complete set of new coins other than the penny would be more expensive but should be carried out over a period of years.

(*b*) To individuals and businesses:

(i) The main costs would arise in the conversion of accounting machinery, including cash registers. No doubt to some extent keyboard type machines could continue to be used where the whole number of digits were sufficiently large. In many cases, however, they would need to be replaced or adjusted.

(ii) Coin-operated machines would need to be altered to take the new coins, except machines operated by pennies.

(iii) Catalogues, price tickets, etc., would need to be amended, although in the case of the 100*d* unit and the exact translation of the price, there could be no confusion in the values expressed in the old and the new currency.

13. The Council feels that a subsidy should be given to companies and organizations having to convert equipment by virtue of decimalization. It has been suggested in some quarters that this could be achieved by special taxation relief. The Council considers that this would not be an appropriate way of dealing with the matter (e.g. local authorities and charities could not obtain such relief), and this subsidy should be directly related to the cost of the change and the age and outstanding life of the equipment concerned.

SUMMARY OF RECOMMENDATIONS

14. The following is a summary of the recommendations which the Council submits:

(*a*) That the most advantageous form which a decimal currency should take is a major unit of 100*d*, with a minor unit of 1*d*, and coinage of 5*d*, 10*d*, 20*d* and 50*d* with the continued use of the halfpenny.

(*b*) That it would be reasonable to give a notice of one year of the change, and that the existing currency should be withdrawn over a period of five years.

(*c*) That while it is not in a position to estimate the amount and incidence of the cost, the proposals detailed under (*a*) above are considered to be the least costly of various possible methods of decimalization.

(*d*) That a direct subsidy should be given to businesses and organizations towards the cost of conversion of equipment as a result of decimalization.

Appendix

15. A table of comparisons between the various units of currency is detailed in an appendix [to] this memorandum.

APPENDIX

	£1 (i)	£1 (ii)	10*s*	£5	8*s* 4*d*
(*a*) Lowest coin equivalent to ..	$\frac{96}{100}$ of $\frac{1}{4}d$	0·6*d*	0·6*d*	$1\frac{1}{2}d$	$\frac{1}{2}d$
(*b*) Decimal places to record (*a*) ..	3	4	3	3	3
(*c*) Lowest coin to account for (except shops etc.)	$\frac{96}{100}$ of $\frac{1}{4}d$	2·4*d*	1·2*d*	3*d*	1*d*
(*d*) Decimal places required for (*c*)	3	2	2	4	2
(*e*) Inflationary in lower prices? ..	Yes	Yes	Yes	Yes	No
(*f*) Relative value of coins	Change	Change	Change	No change	No change
(*g*) Can existing coins be used? ..	Some	Some	Some	Yes (except 1*d* and $\frac{1}{2}d$)	Yes
(*h*) Can existing notes be used? ..	Yes	Yes	Yes	Yes	Yes
(*i*) Present prices in catalogues, books, etc.	Change	Change	Change	Change	Change only by calculation
(*j*) New price of:					
(i) Low price – 5*s* 9*d* ..	*0·287	*0·29	*0·575	·0575	69*d*
(ii) Higher price – £8 17*s* 9*d*..	*8·887	*8·89	*17·775	1·7775	21·33
(*k*) Foreign exchange value ..	Same	Same	Less	Greater	Less
(*l*) Number of units in published accounts	Same	Same	Possibly more	Possibly less	Possibly more
(*m*) Adding machines:					
(i) Transitional	Can use only whole numbers on machines			Can be used with mental conversion	Can be used with mental conversion
(ii) Future eight keys ..	Present £ equivalent approximately				
	£100,000	£1,000,000	£500,000	£50,000	£420,000
(*n*) Timing for introduction ..	Lengthy notice	Lengthy notice	Lengthy notice	Any time	Any time
(*o*) Psychology of change – use of old terms?	No	No	No	Yes (except 1*d* and $\frac{1}{2}d$)	Yes

* Approximate.

Electronics in the Office

Investment Portfolio Valuation by Computer

ONE of the time-consuming routines common to every stockbroker's office has recently been engaging the attention of IBM United Kingdom Ltd and has been successfully programmed for processing by computer in the company's London Service Bureau.

The task is the periodical valuation of clients' portfolios which has normally been calculated laboriously by hand by the broker's clerical staff at a heavy cost in man hours and overheads. The computer, which will now be able to process a valuation at a speed of 300 to 400 lines a minute, is the IBM 1401, one of which is installed in the IBM Data Centre in Newman Street, W1, and a second in the company's Service Bureau at 101 Wigmore Street, W1.

Both the Data Centre and the Service Bureau exist to process work for outside customers who have no data-processing installation of their own, or only an installation which is inadequate for a periodical overload of work, and charges are based on machine time used and any cost of writing programmes.

In the case of the portfolio valuation, the programme is ready written in such a way as to be applicable to every stockbroker who wishes to use it so that programming charges are reduced to a minimum. The overall cost of a valuation by this method, at 7*d* per line, is considerably less than the cost of manual preparation.

Input to the system consists of a file of punched cards held by IBM and recording the investment holdings of clients. These cards contain a code number for each broker and each client, and a single card records the amount of one holding and the title of the security. The cards are filed in the sequence of each client within each broker and are amended from change slips which the broker sends in, recording changes in holdings, new holdings or discontinued holdings. The file is thus constantly up-dated, so that when valuations are called for, Service Bureau staff will select the cards for the appropriate clients and put them through a 1,000 card per minute sorter to arrange them in the required sequence. This is in a predetermined classification, under fifty headings of different types of stock, i.e. British Government, industries, oils, foreign bonds, etc.

For each group of cards recording one particular stock, a new card is inserted on which is recorded the price and the dividend from the *Stock Exchange Daily Official List* and this information is then punched automatically on a run through the machine into every following card recording a holding of that stock. At the same time a new pack of identical cards, without the price and dividend rate, is reproduced automatically to go back to the master file as a starting-point for the next valuation.

The cards are then sorted back to the original order of client within broker and go through the computer which calculates the value from the holding and the middle price, and the estimated income and percentage yield from the holding and the dividend rate.

The machine prints out this information at approximately 400 lines per minute on prepared stationery, to include a code number for the broker and for each client and the date of the valuation.

Holdings are listed by type of stock according to the fifty headings mentioned above and each type of stock is separately sub-totalled by value and estimated income. At the end of the run each sub-total is summarized on a separate sheet for each client and a grand total is produced, together with a schedule of the percentage which the holdings of each type of stock bears to the grand total.

The new system of stock valuation and investment analysis is available on request for the use of stockbrokers and has created considerable interest among City firms since it was announced.

New Data Centre

THE official opening last April of the Commercial Union Group of Companies' data centre at Concord House, Exeter, marks one of the most ambitious electronic data processing projects yet attempted in the United Kingdom.

The new centre, previously referred to in *The Accountant* of May 28th, 1960, houses an English Electric KDP.10 data processing system, coupled with a country-wide network of data transmission links with each of the Commercial Union branch offices. The daily transactions at each branch office are encoded on punched-paper tape and transmitted by G.P.O. lines to the data centre where the information is assembled into the correct processing order.

The main task of the system is the daily maintenance of a main file containing the records of some five million policy-holders. All five million policies pass through the system in four days, the daily operations including computing and recording 40,000 cash transactions, materially amending 5,000 policies, and printing and issuing 2,000 new contracts. The system also produces weekly renewals, lists, and account statements for agents, together with branch office copies. Management control information including branch and agents' performance figures, claims analysis and trends, revenue analysis and trends, and details of outstanding claims are produced as required.

To deal with the wide variety of forms necessary in insurance work, Rank Xeronic high speed printing equipment capable of printing 4,700 alphabetical or numerical characters per second is included in the system. The provision of pre-printed stationery is unnecessary, as the printer selects and prints the required format simultaneously with the details of the policy-holder concerned. The Commercial Union installation it is claimed is the first to use this type of equipment for insurance work.

New Branch Office for Leo Computers

LEO Computers Ltd opened a branch office in Birmingham, on June 1st. The new office will act as Midland headquarters, providing consultancy and programming facilities for the company's computer users in the region. These include Dunlops, Standard-Triumph, Stewarts and Lloyds and I.C.I. Metals. Staff training and maintenance facilities will also be available.

Finance and Commerce

Operating Buses

THE accounts of Lancashire United Transport Ltd, the bus company well known to readers in that area, are the subject of this week's reprint. Sir Robert Cary, M.P., its chairman, summing up, says the fleet now consists of 297 double-deck buses, 67 single-deck and 56 coaches, a total of 420 passenger vehicles. The company gives employment to 1,643 persons of whom 1,380 are men and 263 women. It has other interests: a subsidiary, Waterloo Motors (Bolton) Ltd, with workshops, showrooms, spare-part stores, etc., runs a motor agency business.

But, as Sir Robert points out, L.U.T. remains 'a single independent operating bus company owned wholly by its stockholders'. He uses these words in the context of a view of public transport, the whole field of which, he believes, is likely to come under some sort of general review during the next few years.

A tactical beginning, he says, was made when the Transport Bill was presented last November. By this measure, a large number of bus-operating companies will be directly affected by a compulsory transfer of their shares held by the British Transport Commission to a new holding company, a company subject to the direction of the Minister of Transport.

Passengers

L.U.T. itself dropped 1,735,000 passengers in 1961, the number carried falling from 81,520,000 to 79,785,000. Fluctuations such as this, Sir Robert states, can be explained by general social changes brought about by short hours of work; to changes in the distribution of population and industry; and to the extension of private motoring. But while in the transitional social conditions of today it is easy to detect the effects, it is hard to analyse the exact causes of some of the reasons for passenger fluctuation.

One very interesting section of his statement deals with fuel taxation. The bus industry is paying £28 million a year in fuel tax, now 2*s* 9*d* a gallon. This in turn is translated into an inflated level of fares and progressive reductions in unremunerative services. He gives a table of figures to show the weight of this taxation on the company and its passengers, and the table, which gets behind the main credit entry in the profit and loss account, is included in the reprint.

This question of the fuel tax is a matter on which the bus industry is constantly making representations to the Chancellor of the Exchequer. Linked to the campaign for tax remission is the Jack Report on Rural Transport with its majority recommendation

LANCASHIRE UNITED TRANSPORT LIMITED

CONSOLIDATED BALANCE SHEET 31st December 1961

1960 £		Authorized £	Issued £	1961 £
	CAPITAL			
300,000	6% Cumulative Preference Stock	300,000	300,000	
552,416	Ordinary Stock	552,416	552,416	
—	Ordinary Shares of £1 each	147,584	—	
852,416		£1,000,000		852,416
	CAPITAL RESERVES			
101,991	(a) Surplus on dissolution of a former Subsidiary		101,991	
89,000	(b) Vehicle Replacement Reserve (note 1)		123,000	
3,067	(c) Surplus on Sale of Fixed Assets		3,067	
194,058				228,058
	REVENUE RESERVES			
355,000	(a) General Reserve		355,000	
48,331	(b) Profit and Loss Account		46,353	
403,331				401,353
9,281	MINORITY SHAREHOLDERS' INTEREST IN SUBSIDIARY COMPANY			5,720
56,000	FUTURE INCOME TAX			46,500
£1,515,086				£1,534,047

ROBERT CARY } Directors
F. A. WILLINK }

1960 £		At Cost or Valuation £	Aggregate Depreciation £	1961 £
	FIXED ASSETS			
411,363	Freehold and Leasehold Properties	458,159	26,690	431,469
69,527	Plant and Machinery	99,478	29,446	70,032
826,989	Motor Vehicles	1,779,770	912,701	867,069
1,307,879		£2,337,407	£968,837	1,368,570
20,000	GOODWILL at Cost less amount written off			—
	CURRENT ASSETS			
57,558	Stocks			62,496
31,194	Debtors			28,530
—	Tax Reserve Certificates			25,000
225,000	Short Term Loans and Mortgages			250,000
102,327	Cash and Bank Balances			65,352
416,079				431,378
	CURRENT LIABILITIES			
115,068	Creditors			134,757
79,532	Taxation			96,872
	Final Dividends (less Tax):—			
5,512	Preference			5,512
28,760	Ordinary—Proposed			28,760
228,872				265,901
187,207	NET CURRENT ASSETS			165,477
£1,515,086				£1,534,047

LANCASHIRE UNITED TRANSPORT LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st December 1961

1960 £		£	1961 £	1960 £		£	1961 £
135,396	Depreciation		141,986		Motor Omnibus Receipts and other Income *less* Operating, Management and General Expenses and Trading Loss of		
	Directors:—			333,278	Subsidiary Company		323,645
8,500	Fees	8,750					
—	Management Remuneration	4,371					
			13,121				
7,855	Employees' Pension Scheme		7,145				
1,996	*Formation and Legal Expenses of Subsidiary Company* ..		—				
—	Goodwill written off in Subsidiary Company		20,000				
	Taxation:—			11,765	Investment Income		13,417
63,754	Income Tax (note 2)	55,194					
17,000	Profits Tax	21,500					
80,754			76,694				
234,501			258,946				
111,261	Balance carried to Appropriation Account	81,677					
719	Loss attributable to Minority Shareholder in Subsidiary Company	3,561					
110,542			78,116				
£345,043			£337,062	£345,043			£337,062
	Appropriations for the year:—				Balance of Profit and Loss Account:—		
4,000	*Employees' Benevolent Fund*	—		116,295	Dealt with in accounts of Holding Company	106,948	
20,000	General Reserve	—		5,034	Loss dealt with in accounts of Subsidiary Company ..	25,271	
40,252	Vehicle Replacement Reserve	32,105		111,261			81,677
64,252			32,105				
	Dividends (*less* Tax):—						
11,025	6% Cumulative Preference Stock	11,025		45,413	Balance brought forward from previous year		48,331
	Ordinary Stock			9,228	Taxation Provision no longer required		1,769
13,534	Paid—Interim 4%	13,534					
28,760	Proposed—Final 8½%	28,760					
53,319			53,319				
117,571			85,424				
48,331	Unappropriated Profits carried forward		46,353				
£165,902			£131,777	£165,902			£131,777

For notes see page [715]

of aid for unremunerative rural services by way of subsidy through county councils. But it is a highly contentious matter for which the Government has not yet been persuaded to give Parliamentary debating time.

All Tax

This high-lighting of the fuel tax might be an occasion for a consideration of taxation, in general, in accounts. In these particular accounts, income and profits taxes account for £76,694 in the consolidated profit and loss account. But as Sir Robert shows, practically twice this amount falls to be met in a fuel tax, the weight of which is not evident apart from the table in his statement given in the reprint. Yet, as between one tax and another, there is, apart from method of computation, no really vital difference. It is all tax, and a meditation on the subject might well start from that fact.

To suggest for consideration that accounts might give a wider view of the burden of taxation is not as startling as it may seem. Joshua Tetley & Sons, the

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LANCASHIRE UNITED TRANSPORT LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st December 1961

1960 £		£	1961 £
135,218	Depreciation		140,543
	Directors:—		
8,500	Fees	8,000	
—	Management Remuneration	4,371	
			12,371
7,855	Employees' Pension Scheme		7,145
	Taxation:—		
63,690	Income Tax (note 2)	55,093	
17,000	Profits Tax	21,500	
80,690			76,593
232,263			236,652
116,295	Balance carried to Appropriation Account		106,948
£348,558			£343,600
5,034	Amount written off Shareholding in Subsidiary		25,271
	Appropriations for the year:—		
4,000	*Employees' Benevolent Fund*	—	
20,000	General Reserve	—	
40,252	Vehicle Replacement Reserve	32,105	
64,252			32,105
	Dividends (*less* Tax):—		
11,025	6% Cumulative Preference Stock	11,025	
	Ordinary Stock:—		
13,534	Paid—Interim 4%	13,534	
28,760	Proposed—Final 8½%	28,760	
53,319			53,319
122,605			110,695
48,331	Unappropriated Profits carried forward		46,353
£170,936			£157,048

For notes see page [below]

1960 £		1961 £
336,877	Motor Omnibus Receipts and other Income less Operating, Management and General Expenses	329,513
11,681	Investment Income	14,087
116,295	Balance of Profit and Loss Account for year	106,948
45,413	Balance brought forward from previous year	48,331
9,228	Taxation Provision no longer required	1,769
£348,558		£343,600

NOTES ON THE ACCOUNTS

(1) VEHICLE REPLACEMENT RESERVE:—

	£
As at 31st December 1960	89,000
Transfer from Profit and Loss Account	32,105
	121,105
Proceeds of sale—obsolete vehicles	1,895
	£123,000

(2) INCOME TAX:—
The amount charged in the Accounts includes Reserve for future liability of £46,500 based upon profits for the year.

(3) CAPITAL COMMITMENTS:—
Contracts for Capital Expenditure so far as not provided for in these Accounts amount to approximately £183,000 (1960 £143,000).

(4) COMPARATIVE FIGURES:—
The comparative figures for 1960 include the initial four months trading of the Subsidiary Company.

EXTRACT FROM CHAIRMAN'S STATEMENT

The following details indicate over the last three years the amount of fuel used by the Company's fleet and the amount of tax paid:—

Period	*No. of gallons used*	*Tax per gallon* s. d.	*Total tax* £	£
1.1.59—31.12.59	1,168,156	2 6		146,019
1.1.60—31.12.60	1,162,778	2 6		145,347
1.1.61—25. 7.61	648,581	2 6	81,073	
26.7.61—31.12.61	502,461	2 9	69,089	
				150,162
		Total for 3 years		£441,528

It is anticipated that approximately 1,165,000 gallons will be used in 1962 and the tax, if it remains at 2s. 9d., will cost us £160,187

Yorkshire brewers, before its integration with the Ind Coope group, used to give 'Sales of cask and bottled ale' (1959 – £8,767,515) reduced to 'Net sales' by deduction of 'Beer duty on ale produced by the group' (1959 – £4,726,844). The Royal Dutch-Shell group shows the same kind of thing – Sales, less duties.

One sometimes sees a company chairman in his annual statement adding up the weight of taxation under the various forms in which it is imposed. One becomes so used to 'profit before' and 'profit after' tax in accounts that 'weight of taxation' is lost sight of until someone makes a special point of it.

Tax on Biscuits

ONE can understand the feelings of Mr P. G. Macdonald, the chairman of United Biscuits Ltd, a name that covers well-known biscuit-makers like McVitie & Price and Macfarlane Lang & Co.

There was a 6 per cent interim dividend on the then issued ordinary capital of £4½ million and a 10 per cent final on a capital of £6 million following a two-shares-for-three capitalization issue. The year's total dividend is equivalent to 14½ per cent on the £6 million capital compared with an equivalent effective rate of 13½ per cent for 1960 on the increased capital. There has been a tremendous mechanization and automation in the business since the war and the 1961 capital expenditure was over a million.

Export trade has been moving up. The largest export market, Canada, showed a 6·8 per cent gain. And, for the first quarter of the current year, group sales show an increase. 'The Chancellor', says Mr Macdonald, 'asks us to produce and export more. We have done both'. What the Chancellor has done is to include chocolate biscuits in the 15 per cent tax on sweets. Mr Macdonald thinks the Chancellor and his advisers would be better employed looking for ways to cut Government expenditure and waste in the nationalized industries. They would not have far to look, he says.

CITY NOTES

THE accumulation of poor industrial profit and dividend news coupled with heavy calls from the new issue market and continued weakness on Wall Street has turned the London equity market decidedly easier. The Ford Motor Co's statement on earnings to the trade unions pressing for higher wages has brought home the profits versus costs position in no uncertain manner.

The Ford Co's position is not entirely typical of industry as a whole. Production has been dislocated by a series of nagging strikes but there is in industry generally a basic condition of extreme pressure on earnings which has its roots in higher wage and other costs which cannot be passed on in prices under circumstances of acute competition in overseas markets and of flagging demand at home.

So far as earnings are concerned, it is not enough, under present cost conditions, merely to maintain turnover; and yet, with credit restrictions still adversely affecting home demand, there is little prospect of increased turnover for many sections of industry – more particularly at the consumer end.

For some time this position has been covered in the stock market by hopes of an easing of the credit restrictions imposed last July. Recent statements by the Chancellor would seem to point to an increase, rather than a decrease, in the credit pressure.

RATES AND PRICES

Closing prices, Wednesday, May 30th, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 23, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

Mar. 23	£4 9*s* 0·47*d*%	April 27	£4 1*s* 0·54*d*%
Mar. 30	£4 8*s* 1·16*d*%	May 4	£4 1*s* 9·72*d*%
April 6	£4 7*s* 4·62*d*%	May 11	£3 19*s* 8·71*d*%
April 13	£4 6*s* 8·54*d*%	May 18	£3 17*s* 1·04*d*%
April 19	£4 5*s* 4·31*d*%	May 25	£3 16*s* 3·81*d*%

Money Rates

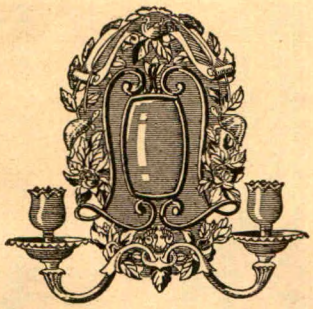
Day to day	2⅞–3⅞%	*Bank Bills*	
7 days	2⅜–3⅞%	2 months	4–4 1/16%
Fine Trade Bills		3 months	4–4 1/16%
3 months	5½–6%	4 months	4–4 1/16%
4 months	5½–6%	6 months	4–4⅛%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·80 15/16–·81	Frankfurt	11·21¼–½
Montreal	3·06⅛–⅜	Milan	1745¾–6
Amsterdam	10·09¼–½	Oslo	20·04¼–½
Brussels	139·74½–¾	Paris	13·76½–¾
Copenhagen	19·37½–¾	Zürich	12·12¼–⅜

Gilt-edged

Consols 4%	63⅜	Funding 3% 59–69	83 15/16
Consols 2½%	40⅝	Savings 3% 60–70	81¼
Conv'sion 5¼% 1974	91¼	Savings 3% 65–75	71⅞
Conversion 5% 1971	92 15/16	Savings 2½% 64–67	87⅝
Conversion 3½% 1969	87	Treasury 5½% 2008–12	90⅛
Conversion 3½%	55⅜	Treasury 5% 86–89	84 3/16
Exchequer 5½% 1966	100⅛	Treasury 3½% 77–80	70⅜
Funding 5½% 82–84	93¼	Treasury 3½% 79–81	70 11/16
Funding 4% 60–90	88 3/16	Treasury 2½%	40 5/16
Funding 3½% 99–04	62	Victory 4%	96¾
Funding 3% 66–68	86 7/16	War Loan 3½%	55 5/16



THE ACCOUNTANT ANNUAL AWARDS FOR 1962

Presentations by The Lord Mayor of London

The Accountant Annual Awards for 1962 for company reports and accounts were presented by the Rt Hon. The Lord Mayor of London, Alderman Sir Frederick Hoare, at the Mansion House last Tuesday, in the presence of a large and distinguished company representing the City, the professions, commerce and industry. The Lord Mayor was accompanied by Mr Alderman and Sheriff Lionel Denny, M.C., and Mrs Denny, and Mr Sheriff C. S. P. Rawson and Mrs Rawson.

Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, presided, and also on the platform were the representatives of the winning companies, The Rt. Hon. Lord Kindersley, C.B.E., M.C., Chairman of Rolls-Royce Ltd, and Mr W. G. Allen, F.C.A., Chairman of Atkinson Lorries (Holdings) Ltd, together with Mr P. F. Granger, F.C.A., President, The Institute of Chartered Accountants in England and Wales; Mr Edgar Spencer, F.A.C.C.A., President, The Association of Certified and Corporate Accountants; Mr William Bishop, C.A., F.C.W.A., President, The Institute of Cost and Works Accountants; Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges of *The Accountant* Annual Awards, and the following members of the Panel: Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr J. E. Harris, B.COM., F.A.C.C.A.; Mr Donald V. House, F.C.A.; Mr J. A. Hunter, M.B.E., T.D.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*; and Mr Peter Chapman, Secretary of *The Accountant* Annual Awards.

The names of those who accepted invitations appear on other pages.

The Chairman's Address

Opening the proceedings, Mr Percy F. Hughes said:

'This is the occasion on which *The Accountant* Annual Awards are to be presented for the ninth successive year. My Lord Mayor, we all appreciate the great honour you do us in making these presentations on our behalf and in making available to us the Mansion House for this purpose, for which I express our sincere and grateful thanks. As a banker, you are well aware of the importance of having accounts which are informative and I have no doubt that this is also true when you look at accounts as a shareholder.

'It is good to be able to report that an even keener interest has been shown in *The Accountant* Annual Awards this year than in any earlier year, and I hope that companies that have not so far submitted their accounts for the consideration of our Panel will do so, as I feel that they will then make a special effort to ensure that their accounts conform to the best possible standards, and we will thus continue to achieve our purpose on an even wider scale than in the past.

'The support that we have always enjoyed from the various professional bodies is evidenced by the presence on this occasion of Mr P. F. Granger, President of The Institute of Chartered Accountants in England and Wales; Mr Edgar Spencer, President of The Association of Certified and Corporate Accountants; and Mr William Bishop, President of The Institute of Cost and Works Accountants. Owing to other commitments in connection with The Institute of Municipal Treasurers and Accountants, the President of that body cannot be with us today.

'This year the Panel has again worked under the most able chairmanship of Mr Kenneth Mackinnon, Q.C., and Mr Donald V. House, Mr A. S. H. Dicker, Mr C. D. Gairdner, Mr A. W. Giles, Sir Richard Yeabsley, Mr Ian T. Morrow and Mr J. A. Hunter have, with Mr Arthur Webb, assisted us once again. I would like them to know how much we of *The Accountant* appreciate their services and I assure them of the sincerity of my thanks.

'This year they have been joined by Mr J. E. Harris, a Past President of The Association of Certified and Corporate Accountants, and now that he has come through his first ordeal in this connection, I hope that he will continue to enjoy his work on the Panel.

'My thanks are also due in no small measure to Mr Peter Chapman who has carried out the onerous duties of secretary to the Panel so ably from the first.

'I would like to pay a special tribute to the work of two members of the Panel. Lord Latham retired before this year's work began after serving from the very beginning, and I will always be grateful, as I know Ronald Staples was before me, for the exceedingly lively interest, keenness and continuous effort which he put into this work. Mr Donald V. House, a Past President of The Institute of Chartered Accountants in England and Wales, has recently been appointed a member of the Restrictive Practices Court and has, therefore, told me that he will not be available next

The Rt Hon. Lord Kindersley, C.B.E., M.C., Chairman of Rolls-Royce Ltd, receives his company's Award from the Lord Mayor.

year. To him also I would express first my congratulations on his appointment and then my very sincere appreciation of all that he has done to ensure the success of the work of the Panel. They are both able to take a good deal of credit for the great improvement that we have seen over the last few years in the general standard which has been reached in the form and content of the accounts of public companies in this country.

'It does, however, go even wider than this because our efforts are being watched closely by other countries and some have established award schemes with the same aim as our own. When I was in India recently, I was invited to open a refresher course for accountants, at which I was asked to give a talk on *The Accountant* Annual Awards. Not being a member of the Panel, I was able to do this without having to give away any secrets and this may well have prevented embarrassment to me when answering a number of questions, but these indicated how interested are accountants in India about our efforts in this connection.

'The accountancy bodies in this country are always watching the changing conditions affecting the presentation of accounts, and The Institute of Chartered Accountants in England and Wales has recently published some notes containing suggestions on the form of narrative that may be used in accounts dealing with particular items, both in the profit and loss account and balance sheet. I congratulate them on their efforts in this way, which should assist both practising accountants and those in industry, who are concerned with the preparation of accounts to ensure that the results of their efforts conform to the best possible practice.

'You will see from your programmes that the Panel has been pleased this year with the efforts of the motor industry. I am able to assure you that it is a pure coincidence that both companies receiving the Awards today have some connection with it. I think that it is fitting that Rolls-Royce Ltd, the mere mention of the name of which brings to mind engineering products of beauty and first-class quality, should receive our Award for the excellence of their accounts, and I congratulate Lord Kindersley, and all those who have been responsible for the production of the accounts, on their success.

'Similarly, I pay tribute to the excellence of the accounts of Atkinsons Lorries (Holdings) Ltd, and I am delighted that Mr W. G. Allen, Chairman of the company, who is a chartered accountant, is able to be with us today to receive the Award. As many of you will know, there is no distinction between the two Awards, but one is for large companies and the other for smaller companies.' (*Applause.*)

The Lord Mayor of London

Presenting the Awards, the Lord Mayor said:

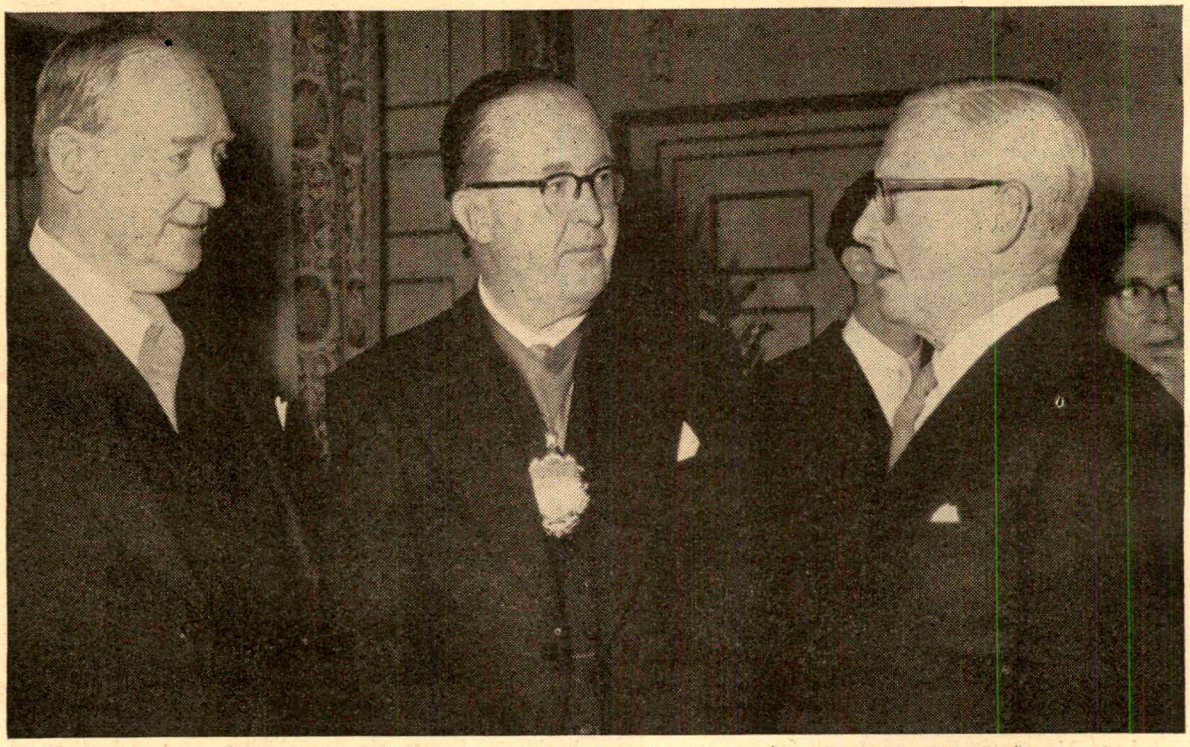
'One of the most surprising features about the annual general meeting of a highly successful company is how few shareholders turn up to it, but if the day should come when that same company has halved its dividend, then the meeting becomes a most lively affair with such a fuss as would rival any hornets' nest. This aspect of human nature is the reason that *The Accountant* Awards have been of such immense benefit to the whole business community. Company reports should be as informative as the answer I once received from a bank in America about their own customer. The bank wrote as follows: "The subject of your inquiry is reputed to be a millionaire, but our advice would be, if out, stay out." (*Laughter.*)

'The kind of company report I like tells one early on in the proceedings whether you have taken on that particular company for better or for worse. Most people can assimilate information in a visual form far more easily than through a mass of very technical information and statistics. Like most people in my profession I have never advanced much further than long addition and long multiplication, so we like to see a good old-fashioned cake somewhere, subdivided to show who gets what.

'The total number of entries for this competition has shown a remarkable increase over the last eight years until it has now reached 1,250. This strong support from so many companies for readily understandable accounts gives me very great pleasure, especially because any lending to a company is about as dependent upon the accounts as a miner is dependent on his lamp. I therefore most warmly congratulate *The Accountant* on establishing so firmly such a very worth-while scheme, and also I congratulate the two winning companies on their success against very strong competition, and I would like to assure you all that it is purely coincidental that the panel, with no pressure from me whatsoever, should have chosen two companies both of whose chairmen I already know well. In the case of Lord Kindersley, we are not only fellow bankers, but he is chairman of an insurance company and I myself play chess in the insurance league. With regard to Mr Allen, when he was a Sheriff in 1956 and the time came for him to give up his office, he and Sir Bernard Waley-Cohen had their chains taken off them by their successors, one of whom was Sir James Miller, and the other was myself. So you may be quite sure that Mr Allen and myself are very old friends and I am delighted to see him as the chairman of one of the two companies which won these Awards today.' (*Applause.*)

The Lord Mayor presents the Award for Atkinson Lorries (Holdings) Ltd to Mr W. G. Allen, F.C.A., Chairman of the company.

The Chairmen of the winning companies after receiving their Awards, with the Lord Mayor and (*left*) Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*.



Mr P. F. Granger, F.C.A., President of The Institute of Chartered Accountants in England and Wales (*centre*), with two members of the Panel of Judges, Sir Richard Yeabsley, C.B.E., F.C.A. (*left*), and Mr A. S. H. Dicker, M.B.E., F.C.A.

Acknowledgements of the Presentations

Acknowledging the presentation made to his company, The Rt Hon. Lord Kindersley, C.B.E., M.C., Chairman of Rolls-Royce Ltd, said:

'It was with considerable pride and pleasure that my colleagues and I learned that Rolls-Royce has been chosen to be a recipient of one of *The Accountant* Awards for this year.

'This is an honour, ladies and gentlemen, which was unexpected and for that very reason is all the more appreciated throughout our organization, especially I think by those who spend a great deal of time and trouble in preparing the presentation of these accounts. Sometimes I feel that there are people who forget that shareholders are the owners of the business and as such are fully entitled to the clearest possible explanation of the annual accounts.

'Mr Chairman, we owe *The Accountant* a real debt of gratitude for their initiative in instituting this competition with these annual Awards. I am only sorry that this movement – may I call it – has not spread to the Continent where I think the systems of producing and preparing balance sheets and accounts leave a great deal to be desired, and if we are to enter the Common Market – and I for one sincerely hope we do – I cannot think of anything which would be more valuable to create understanding and consequently friendship between the business men each side of the Channel than some system which were unified for the balance sheets and end of year accounts.

'Not all the work and trouble in the preparing and presentation of accounts is confined to our financial and accountancy staffs. Far from it. We owe a great deal to our auditors who have given us guidance and encouragement and help over the years, and I am delighted to see sitting over there two of their representatives, Mr George Touche and Mr William Ritchie, and I would like to take this opportunity publicly to thank them and express the debt which we owe to them.

'Now, finally, Mr Chairman, may I thank *The Accountant* for this delightful Award. Had I not read the note about it before I came in I would have been suspicious that it was a symbol of bringing light to those who sit in darkness. (*Laughter.*) Thank you, and thank you, also, Lord Mayor, for the very gracious way in which you have made this presentation.' (*Applause.*)

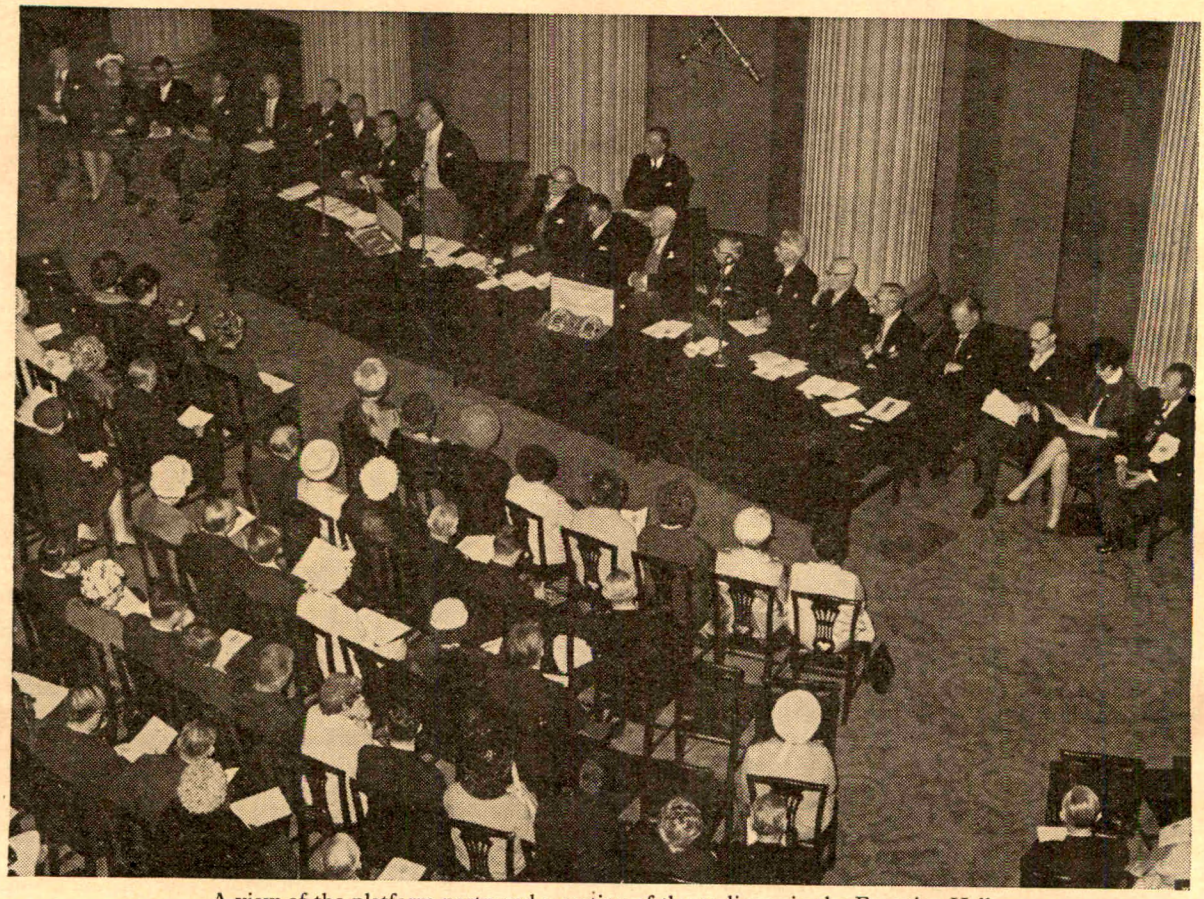
Mr W. G. Allen, F.C.A., Chairman of Atkinson Lorries (Holdings) Ltd, said:

'Just six years ago, when I sat on this platform as a Queen's Sheriff, occupying the outside-left position, I never visualized that I should, after such a short time, be promoted to the seat of honour at inside-left and privileged to receive from the present Lord Mayor, by reason of being chairman of my company, one of these handsome Awards.

'However, in spite of having been team manager as well as father and mother and everything else for the last thirty years, the chief credit for this Award must go to my son, Antony William, who has put into these accounts his knowledge and enthusiasm of accountancy and a very great deal of time. I am, therefore, more particularly proud today that such a distinguished panel should have made this Award to my company.

'I must also take the opportunity of thanking our

Mr Edgar Spencer, F.A.C.C.A., President of The Association of Certified and Corporate Accountants (*left*), with Mrs Spencer, Mrs Gairdner, Mr C. D. Gairdner, C.A., a member of the Panel of Judges, Mrs House and Mr D. V. House, F.C.A., also a member of the Panel.



A view of the platform party and a section of the audience in the Egyptian Hall.

auditors, Mr Peter Nield and Mr Derby, and my managing director, Mr Caunt, for their great help towards this success and I am glad to say that they are all present here today.

'When I heard that the Rolls-Royce company were to receive a similar Award it seemed to be a very happy coincidence as our commercial relations have been of the very best for several years past, and there are many Atkinsons being propelled by Rolls-Royce engines today, running all over the world. In fact, Lord Kindersley will be interested to hear that we received yesterday morning from Australia two newspapers giving illustrations of our vehicles engined by 335 h.p. Rolls-Royce engines pulling over 125 tons.

'To conclude, my Lord Mayor, may I thank you for honouring us by making this presentation – and to you, Mr Hughes, for continuing to make these Awards and encouraging, each year, clearer and more informative reports and accounts.' (*Applause.*)

The Chairman of the Panel of Judges

In his address, Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges, said:

'It is again a great pleasure on behalf of the Panel to congratulate this year's winners. And this is more particularly the case because not only have the entries this year again increased in numbers but also in our unanimous opinion they have reached the highest standard since the Award was instituted. My own personal thanks are due to my colleagues for the care and consideration which in these circumstances they have given to the difficult task of selection.

'Last year I referred to one aspect of company reporting – the provision of adequate information. I gave some examples of the matters which we on the Panel had particularly in mind. It is an interesting reflection that a great number of the entrants have taken these matters into consideration when preparing their accounts. We on the Panel would like to believe that this was no coincidence and that last year's reference provided some stimulus.

'In this belief – perhaps optimistic – we think it appropriate this year to make a further point, namely, to emphasize the necessity for clear presentation. We realize, of course, that annual reports must comply with the statutory requirements and that these requirements shape to some extent the framework of presentation. In consequence, annual reports tend for the ordinary shareholder – using that phrase in its most ordinary sense – to be technical and somewhat formidable to understand. In our view much can and should be done in the way of simplifying matters for share-

holders. And this can, we think, be done while at the same time complying with the statutory requirements and providing statistical information for experts to examine in order that they make available their conclusions through the Press and other media to shareholders and investing public alike.

'With the possibility that this country may enter the Common Market, this point needs special emphasis. Let me finish by saying this: we on the Panel expect – and it is much in the national interests – that the annual reports of British companies should lead the Common Market companies in the field of company reporting.' (*Applause.*)

Welcome to the Guests

Mr Arthur E. Webb, Editor of *The Accountant*, extended a welcome to the many guests who were present.

Guests at the Presentation Ceremony

Mr Wilfred G. Adams, F.C.A., and Mrs Adams

Mr A. W. Allen, F.C.A., *Director and Secretary, Atkinson Lorries (Holdings) Limited*, and Mrs Allen

Miss E. B. Allen, *Director, Taxation Publishing Co Limited*

Mr W. G. Allen, F.C.A., *Chairman, Atkinson Lorries (Holdings) Limited*, and Mrs Allen

Miss G. Andrews

Mr G. F. Ansell, F.C.A., *Chairman, London and District Society of Chartered Accountants*, and Mrs Ansell

Mr P. Livingstone Armstrong, F.C.A.

Mr M. C. Ashill, F.C.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and Mrs Ashill

Mr G. H. Atkings

Mr S. E. Banks and Mrs Banks

Mr A. A. Barger, F.C.A., and Mrs Barger

Mr W. L. Barrows, LL.D., J.P., F.C.A., and Mrs Barrows

Sir Harold Barton, F.C.A., and Lady Barton

Mr T. A. Hamilton Baynes, M.A., F.C.A., and Mrs Hamilton Baynes

Mr R. T. Bell, *an Assistant Secretary, The Association of Certified and Corporate Accountants*

Sir Harold Bellman, D.L., LL.D., J.P.

Mr H. A. Benson, C.B.E., F.C.A.

Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., and Mrs Berger

Mr C. V. Best, F.C.A., and Mrs Best

Mr C. C. Bigg, F.C.A., and Mrs Bigg

Mr William Bishop, C.A., F.C.W.A., *President, The Institute of Cost and Works Accountants*

Mr Eric A. Bland, D.S.O., F.C.A., and Mrs Bland

Mr T. Bolton, A.C.I.S.

Mr Roy Borneman, Q.C., and Mrs Borneman

Mr James Borsay, F.C.W.A., and Mrs Borsay

Mr Christopher Bostock, M.A., F.C.A., and Mrs Bostock

Mr Roger Broad, *Deputy City Editor, The Birmingham Post*

Mrs Paddie Brosnan, *Editor, The British Manufacturer*

Mr William J. Brown

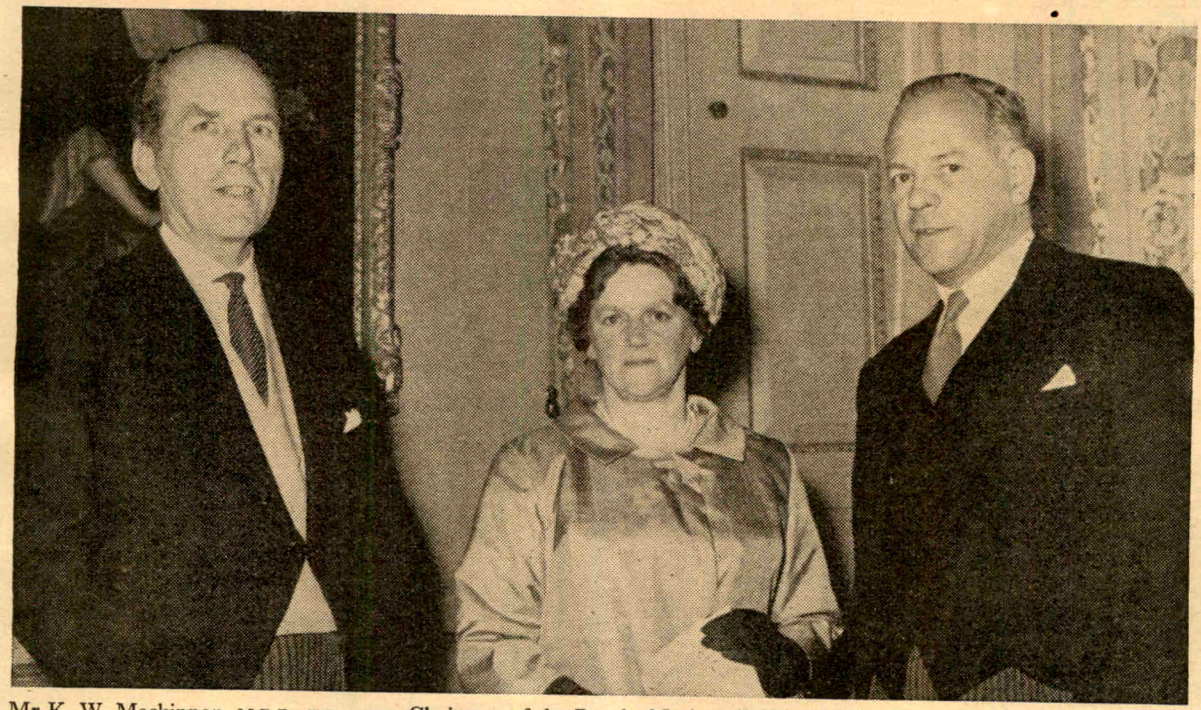
Miss V. M. Burton, F.C.A.

Mr K. S. Carmichael, A.C.A., and Mrs Carmichael

Mr P. F. Carpenter, F.C.A., *Vice-President, The Institute of Chartered Accountants in England and Wales*, and Mrs Carpenter

Sir William Carrington, F.C.A., and Lady Carrington

Mr R. J. Carter, B.COM., F.C.A., *Secretary, The Chartered Accountant Students' Society of London*, and Mrs Carter



Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges (*left*), with Mrs Percy F. Hughes and Mr J. E. Harris, B.COM., F.A.C.C.A., a member of the Panel.

Mr William Bishop, C.A., F.C.W.A., President of The Institute of Cost and Works Accountants (*centre*), with Mr Ian T. Morrow, C.A., F.C.W.A., a member of the Panel of Judges, and Mrs Morrow.

Mr Colin S. W. Cassie, *The Accountant*

Mr B. F. Caunt, A.M.I.MECH.E., M.S.A.E., *Managing Director, Atkinson Vehicles Ltd*

Mrs Peter Chapman

Colonel Randolph A. Chell, D.S.O., O.B.E., M.C., and Mrs Chell

Mr A. F. Chick, F.C.A., and Mrs Chick

Mr Brian O. Chilver, A.C.A., and Mrs Chilver

Mr William Clark, F.A.C.C.A., M.P.

Mr W. Clark, *Controller, Rolls-Royce Limited*

Mr Douglas A. Clarke, LL.B., F.C.A., and Mrs Clarke

Mr G. H. Clements

Mr J. W. G. Cocke, T.D., M.A., F.C.A., *Secretary, London and District Society of Chartered Accountants*, and Mrs Cocke

Dr F. Cuthbert Collingwood, M.B., CH.B., M.R.C.S., L.R.C.P., D.T.M. and H., and Dr Sylvia Collingwood, M.B., CH.B.

Mr W. D. Constant, *The Times*

Mr H. Simpson Cook, LL.B., F.C.I.S., and Mrs Cook

Mr W. H. R. Cook and Mrs Cook

Mr S. V. P. Cornwell, M.C., M.A., F.C.A., and Mrs Cornwell

The Rt Hon. the Earl of Courtown, O.B.E., T.D., D.L., F.I.O.M., *President, The Institute of Office Management*, and Lady Courtown

Mr J. L. Cousins, F.C.C.S., *Secretary, The Institute of Office Management*, and Mrs Cousins

Sir Cecil Crabbe, *Chief Registrar of Friendly Societies*, and Lady Crabbe

Mr S. A. Cropper, F.C.A., and Mrs Cropper

Mr R. Gordon Cummings, F.C.A.

Mr J. W. Cusack, C.M.G., O.B.E., and Mrs Cusack

Mr C. R. M. Davidson, F.A.C.C.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and Mrs Davidson

Mr J. O. Davies, F.C.A., A.C.W.A., *European Regional Director, The Institute of Internal Auditors*, and Mrs Davies

Mr William Davis, *City Editor, Evening Standard*, and Mrs Davis

Mr Thomas Degenhardt, M.A., F.C.I.S., *an Assistant Secretary, The Institute of Cost and Works Accountants*

Mr Alderman and Sheriff Lionel Denny, M.C., and Mrs Denny

Mr R. W. J. Derby, F.C.A.

The Rev. W. R. Derry

Mr R. Devey

Mr A. S. H. Dicker, M.B.E., F.C.A., and Mrs Dicker

Mr G. S. H. Dicker, M.B.E., T.D., F.C.A., and Mrs Dicker

Mr David Douglas-Withers

Mr Peter C. Doye, *Investors Chronicle*

Mr Derek du Pré, *Secretary, The Institute of Cost and Works Accountants*, and Mrs du Pré

Mr Henry Eason, *Secretary, The Institute of Bankers*, and Mrs Eason

Mr L. J. Ezra, F.C.A.

Professor W. J. Fairbairn, C.A.(S.A.), F.S.A.A., *Professor of Accounting, University of Natal*, and Mrs Fairbairn

Miss C. Fenton

Mr F. H. Finch, B.A., *Appointments Officer, The Institute of Chartered Accountants in England and Wales*

Mr W. J. Findlay, C.A., and Mrs Findlay

Miss Margaret Fox, F.C.A.

Mr John French, *London Financial Editor, The Scotsman*

Mr R. E. Fryer

Mr C. D. Gairdner, C.A., and Mrs Gairdner

Mr C. G. Garratt-Holden, C.B.E., T.D., B.A., M.COM., *Secretary, The Building Societies Association*

Mr R. J. Gee

Mr Peter Gee-Heaton, *Director, Gee & Co (Publishers) Limited*

Mr W. T. Gill, C.A., *Financial Director, Rolls-Royce Limited*, and Mrs Gill

Mr A. W. Gingell, *The Guardian*

Mr D. J. Ginnings, F.C.A., and Mrs Ginnings

Mr John Godfrey, M.A., F.C.A., and Mrs Godfrey

MR BRIAN GOODWIN

MR GARFIELD G. GOULT, F.C.A., and MRS GOULT

MR P. F. GRANGER, F.C.A., *President, The Institute of Chartered Accountants in England and Wales*, and MRS GRANGER

MR J. D. GREEN, F.C.A., and MRS GREEN

MR E. K. GROSS, A.C.W.A., F.B.I., F.I.M.I., *Chairman, The Institute of Book-keepers*, and MRS GROSS

MR J. H. GUNLAKE, C.B.E., F.I.A., F.S.S., F.I.S., *President, The Institute of Actuaries*

MR D. R. C. HALFORD, O.B.E., and MRS HALFORD

MR C. E. HALL, F.C.A., F.B.I., *Secretary, The Institute of Book-keepers*, and MRS HALL

MISS E. HALL

THE RT HON. WILLIAM GLENVIL HALL, P.C., M.P.

MR BERNARD HARRIS, *Sunday Express*, and MRS HARRIS

MR J. E. HARRIS, B.COM., F.A.C.C.A.

MR GEOFFREY HART

MR JAMES HART

MR M. G. J. HARVEY, F.C.A., *Accountant, The Institute of Chartered Accountants in England and Wales*, and MRS HARVEY

MR C. V. HASLEHAM and MRS HASLEHAM

MR LEONARD C. HAWKINS, C.B.E., F.C.A., and MRS HAWKINS

MRS JOHN HAYNES, *Director, Gee & Co (Publishers) Limited*, and MR JOHN HAYNES

MR A. G. V. HERBERT, F.C.C.S., M.B.I.M., *Chairman of the Council, The Corporation of Secretaries*

MR S. H. H. HILDERSLEY, C.B.E., *Deputy Chief Inspector of Taxes, Board of Inland Revenue*

MR R. F. HILLIER, *Secretary, Institute of Printing Management*

MR V. G. HINES and MRS HINES

ALDERMAN SIR FREDERICK HOARE, *The Rt Hon. the Lord Mayor of London*, and LADY HOARE, *Lady Mayoress*

MR H. HODGSON, F.C.A., F.C.W.A., and MRS HODGSON

MR DONALD V. HOUSE, F.C.A., and MRS HOUSE

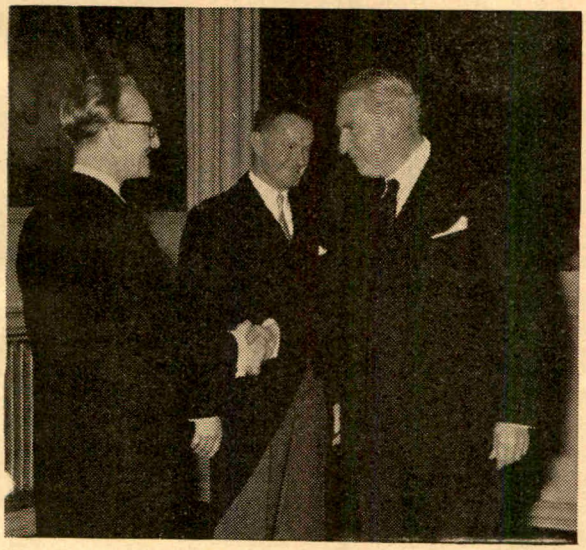
MR JOHN HOWARD, M.P., F.C.A.

SIR HAROLD HOWITT, G.B.E., D.C.L., D.S.O., M.C., J.P., F.C.A.

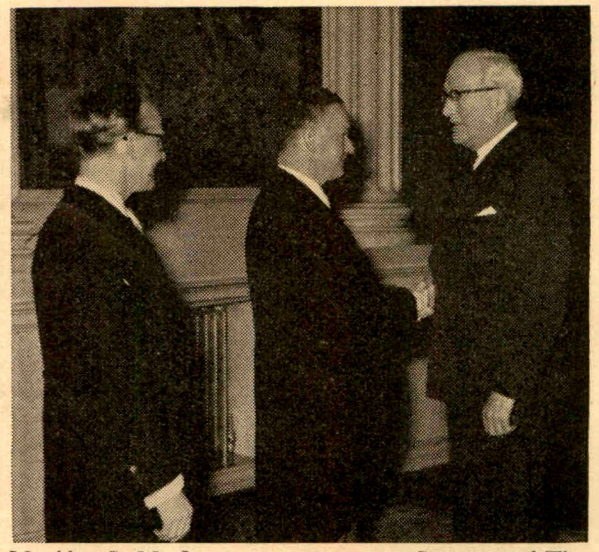
MRS PERCY F. HUGHES

MR J. A. HUNTER, M.B.E., T.D., and MRS HUNTER

MR C. I. R. HUTTON, B.A., C.A., and MRS HUTTON



Mr Arthur E. Webb, Editor of *The Accountant* (*left*), greets Sir Edward Norman, Chief Inspector of Taxes, watched by Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*.



Mr Alan S. MacIver, C.B.E., M.C., B.A., Secretary of The Institute of Chartered Accountants in England and Wales, being received by Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, with (*left*) Mr Arthur E. Webb, Editor of *The Accountant*.

MR A. R. ILERSIC, M.SC.(ECON.), B.COM., F.I.S., and MRS ILERSIC

THE RT HON. LORD INMAN, P.C., J.P., and LADY INMAN

MR D. A. JACOBS, F.C.A.

MR RICHARD KELLETT, *The Sunday Times*, and MRS KELLETT

MR J. M. KEYWORTH, F.C.A., and MRS KEYWORTH

MR A. E. LANGTON, LL.B., F.C.A.

THE RT HON. LORD LATHAM, J.P., F.A.C.C.A., and LADY LATHAM

MR D. J. T. LAWMAN and MRS LAWMAN

MR W. H. LAWSON, C.B.E., B.A., F.C.A.

MR H. L. LAYTON, M.S.M., F.C.A.

CANON EDWIN LE GRICE, M.A., and MRS LE GRICE

MR THOMAS LISTER, M.A., C.A., and MRS LISTER

MR C. H. S. LOVEDAY, F.C.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS LOVEDAY

MR ALAN C. LUCAS, F.C.A.

MR ROBERT LYALL and MRS LYALL

BRIGADIER GEORGE MACDONALD, O.B.E., M.C., *Secretary, The British Transport Vehicle Manufacturers' Association*

MR D. MACDOUGALD, F.C.I.S., *Comptroller and Secretary, British Institute of Management*

MR ALAN S. MACIVER, C.B.E., M.C., B.A., *Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS MACIVER

MR K. W. MACKINNON, M.B.E., T.D., Q.C., and MRS MACKINNON

MR J. W. MARGETTS, F.C.A., and MRS MARGETTS

MR T. S. MARTIN, F.B.I.M., *Director and General Manager, Gee & Co (Publishers) Limited*, and MRS MARTIN

MR D. C. L. MARWOOD, M.A., A.C.I.S., and MRS MARWOOD

MR T. G. B. MATHESON, C.A., *Chairman, The Association of Scottish Chartered Accountants in London*, and MRS MATHESON

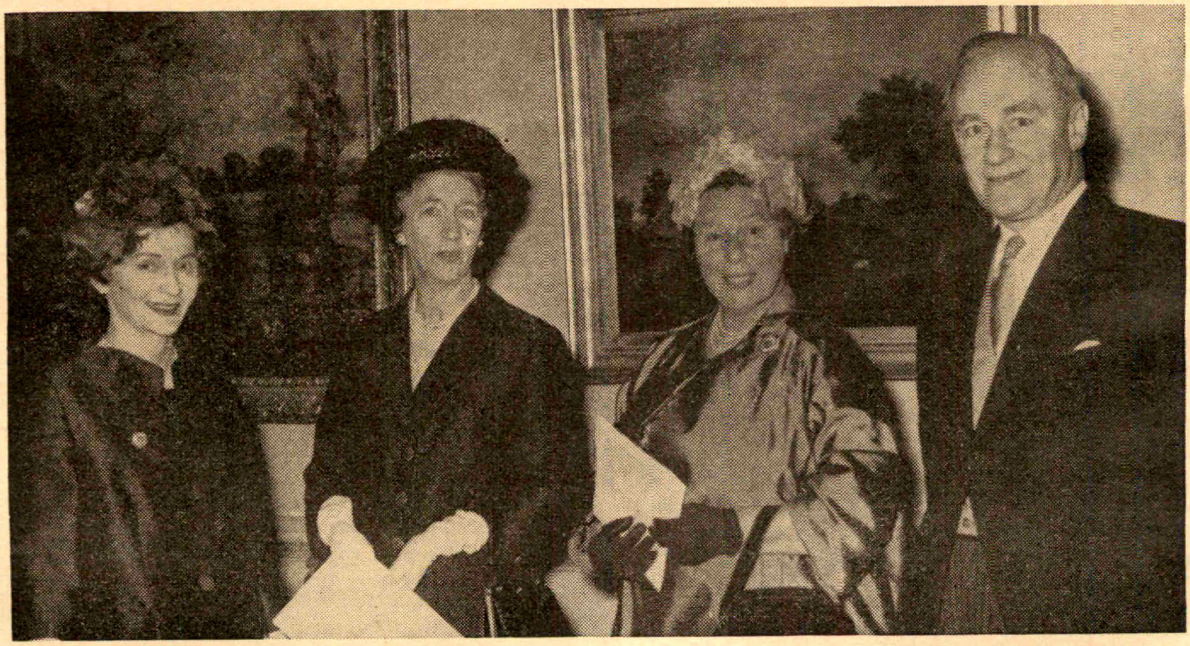
MR R. P. MATTHEWS, J.P., B.COM., F.C.A., and MRS MATTHEWS

COLONEL E. R. MAYER, T.D., D.L., *President, National Union of Manufacturers*, and MRS MAYER

MR BRIAN A. MAYNARD, M.A., F.C.A., F.C.W.A.

MR D. J. MCBRIDE, A.C.I.S., *Assistant Secretary, Gee & Co (Publishers) Limited*, and MRS MCBRIDE

MR D. R. MCDONALD, C.A., *Secretary, Rolls-Royce Limited*
MR R. MCNEIL, F.C.A., and MRS MCNEIL
MRS F. C. MILLER, *Director, Gee & Co (Publishers) Limited*, and MR G. MILLER
MR LESLIE MILLETT, D.F.C., *an Assistant Secretary, The Institute of Cost and Works Accountants*
THE RT HON. LORD MILNE, B.A., C.A., and LADY MILNE
MR R. W. MOON, B.LITT., F.C.A.
MR IAN T. MORROW, C.A., F.C.W.A., and MRS MORROW
MR K. S. MOST, LL.B., F.C.A., and MRS MOST
MR G. W. MOYSE, F.C.A., and MRS MOYSE
MR R. C. MUNYARD, A.C.A., and MRS MUNYARD
MR N. E. MUSTOE, Q.C., and MRS MUSTOE
MR P. L. NEILD, F.C.A., and MRS NEILD
MISS S. D. NEILL, B.A.
MR BERTRAM NELSON, C.B.E., J.P., F.C.A.
MR R. G. H. NELSON, F.C.A., F.C.W.A., and MRS NELSON
SIR EDWARD NORMAN, *Chief Inspector of Taxes, Board of Inland Revenue*
MR F. C. OSBOURN, M.B.E., B.A., LL.B., *Secretary, The Association of Certified and Corporate Accountants*, and MRS OSBOURN
MR D. O'SHEA
MR J. T. PATTERSON, F.C.A., and MRS PATTERSON
MR S. J. PEARS, F.C.A., *Immediate Past President, The Institute of Chartered Accountants in England and Wales*, and MRS PEARS
MR JOHN F. PHILLIPS, O.B.E., LL.M., *Secretary, The Chartered Institute of Secretaries*, and MRS PHILLIPS
MR J. A. PHILPOTT, M.B.E., F.A.C.C.A., F.C.I.S.
ALDERMAN A. T. PIKE, O.B.E., J.P., F.C.C.S., *a Vice-President, The Corporation of Secretaries*, and MRS PIKE
SIR ARNOLD PLANT, B.SC.(ECON.), B.COM., *Sir Ernest Cassell Professor of Commerce, London School of Economics*, and LADY PLANT
BRIGADIER R. H. S. POPHAM, O.B.E., *The Swordbearer*
SIR RICHARD POWELL, Bt, M.C., *Director-General, Institute of Directors*
MR CHARLES PRITCHARD
MR W. RANDALL, *Gee & Co (Publishers) Limited*, and MRS RANDALL
MR SHERIFF C. S. P. RAWSON and MRS RAWSON
SIR HALFORD REDDISH, F.C.A., and LADY REDDISH
MR PETER REES
DR J. M. S. RISK, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M., and MRS RISK
MR W. R. S. RITCHIE, C.A., and MRS RITCHIE
MR ANDREW B. ROBERTSON, *Head of Publications Division, British Institute of Management*, and MRS ROBERTSON
MR J. H. ROBERTSON, M.M., C.A., and MRS ROBERTSON
MR LAWRENCE W. ROBSON, F.C.A., F.C.W.A., and MRS ROBSON
MR NORMAN ROBSON, O.B.E., *London Editor, Westminster Press Provincial Newspapers*
SIR THOMAS ROBSON, M.B.E., M.A., F.C.A., and LADY ROBSON
MR PETER ROWLAND, B.A., LL.B.
MR ALAN F. ROYLE, *Press Officer, Board of Inland Revenue*, and MRS ROYLE
MR J. D. RUSSELL, M.A., F.C.A., and MRS RUSSELL
MR R. H. SAMPSON
MR A. LE M. SCOTT, *Financial Director, International Computers and Tabulators Limited*, and MRS SCOTT
MR PATRICK SERGEANT, *City Editor, Daily Mail*, and MRS SERGEANT
MR MICHAEL N. SHAW, J.P., F.C.A., M.P.
MR T. W. A. SILK, *Gee & Co (Publishers) Limited*, and MRS SILK
DR A. S. SILKE, PH.D., M.COM., C.A.(S.A.), and MRS SILKE
MR C. F. SIMMONDS, J.P., and MRS SIMMONDS
MR FREDERICK SIMPSON and MRS SIMPSON
MR P. E. SMART and MRS SMART
MR STANLEY SMILES, F.C.A., and MRS SMILES
MR KENNETH SMITH, F.C.A.
MISS ISABEL SNELLING
MISS VERA SNELLING, *Director, Gee & Co (Publishers) Limited*
MR J. R. SPAREY, M.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and MRS SPAREY



Mr J. A. Hunter, M.B.E., T.D., a member of the Panel of Judges, with (*left to right*) Mrs Hunter, Mrs K. W. Mackinnon, and Mrs W. G. Allen.

MR EDGAR SPENCER, F.A.C.C.A., *President, The Association of Certified and Corporate Accountants*, and MRS SPENCER
MR R. J. W. STACY, C.B., *Under-Secretary, Board of Trade*, and MRS STACY
MRS THERESA STAPLES
MR CHARLES S. STEPHENS, F.C.A., and MRS STEPHENS
MR GEOFFREY STEVENS, F.C.A., M.P., *Chairman of the Executive Committee, The Income Tax Payers' Society*, and MRS STEVENS
MR PHILIP SYRETT, *Executive Secretary, Wider Share Ownership Committee*
MR J. E. TALBOT, F.C.A., and MRS TALBOT
MR WALTER TAPLIN, M.A., B.COM., *Editor, Accountancy*, and MRS TAPLIN
MISS LAURA TATHAM
MR MAURICE TATTERSFIELD, F.C.A., and MRS TATTERSFIELD
MISS L. I. M. THOMAS, LL.B.(LOND.)
MR HUGH W. THOMSON, *Librarian, The Institute of Chartered Accountants in England and Wales*, and MRS THOMSON
MR G. L. C. TOUCHE, B.A., F.C.A.
MR W. H. TREGASKES and MRS TREGASKES
MR G. TYSER and MRS TYSER
MISS D. M. VAUGHAN, B.A., F.C.A.
MR J. S. H. VINE
MR R. S. WALDRON, F.C.A.
MR C. D. WALKER-ARNOTT, F.C.A., and MRS WALKER-ARNOTT
MISS E. WATTS, B.A., F.C.A.
MRS ARTHUR E. WEBB
MR DAVID WEBSTER, *The Economist*
MR H. M. WHALLEY
MR W. R. T. WHATMORE, M.C., B.A., F.C.A.
MR E. F. G. WHINNEY, M.A., F.C.A., and MRS WHINNEY
MR P. E. WHITWORTH, B.A., and MRS WHITWORTH
MR H. A. R. J. WILSON, F.C.A., and MRS WILSON
MR R. P. WINTER, C.B.E., M.C., T.D., D.L., F.C.A., and MRS WINTER
SIR RICHARD YEABSLEY, C.B.E., F.C.A., and LADY YEABSLEY

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

How to Decimalize the Currency

SIR, – I have recently spent nearly two months in France and on board French liners and I have seen no evidence of the confusion into which, according to your contributor, Mr William Phillips, in your issue of April 14th, all France has been plunged as a result of the introduction of 'new francs'. I now find that a train ticket which used to cost 6,400 francs now costs 64 francs and a bottle of wine which used to cost 675 francs now costs 6 francs 75 centimes, and I can pay in either new or old currency or with any combination of both. Frankly, I cannot see how any monetary change could possibly be more simple and I imagine that the alleged confusion exists mainly in the minds of British tourists.

The practice of pricing articles in shop windows in both old and new francs is dying rapidly, if it is not already dead, and I have seen articles in London shops priced in both sterling and dollars. If Mr Phillips were a Frenchman he would no doubt assume that this is done because the English cannot understand their own complicated monetary system. Were he to purchase an article priced at, say 33½ guineas, he would have reasonable grounds for such an assumption!

Yours faithfully,
R. VINCENT BENNETT.

Rio de Janeiro, Brazil.

SIR, – Referring to Mr Arnold Lever's letter in your issue of May 12th relating to decimal currency, I should like to add one or two points to my earlier letter (April 28th issue).

I suggested re-naming our existing Crown as this, divided into 100 cents, would probably create confusion as the basic unit and the sub-unit would both be represented by the letter 'C'.

I cannot agree with Mr Lever's suggestion that we should keep the penny under the five shilling-cent system as during the conversion period we would have two coins of different values, both with the same name. I think it would be difficult to call in the existing pennies quickly enough to avoid confusion.

I have discussed the five shilling-cent system with a large number of people of varying interests and I have yet to find anyone who can discover any serious flaws in it. I believe that this system, if properly publicized, will meet with overwhelming support in most quarters and certainly amongst those of us who handle coinage on a large scale.

Yours faithfully,
J. R. SPEED,
Managing Director,
JOHN SPEED & CO LTD.

Rotherham.

SIR, – My attention has just been drawn to your Weekly Note on our Chairman's statement, contained in your issue of April 28th. I would like you to be aware of the problems associated with what you assume to be an easy way out for industrial assurance offices if the penny were to disappear.

The main difficulty with your suggestion of modifying the frequency of call in order to secure an equivalence of premiums paid is that the new frequency would vary according to the size of the premium. For premiums of 1*d* to 5*d* a week your illustration holds: 6*d* a week presents no problem; 7*d* a week would become 6 cents, or the equivalent of 7·2*d*, and on your plan the agent would collect 6 cents for thirty-five weeks and then give the policy-holder a 'free' week. To take just one more example, for 3*s* 2*d* the 'free' week would be every ninety-five weeks. When it is realized that many agents are collecting on as many as 2,000 policies and that some households may have six or more policies for differing premiums, you will appreciate the confusion that would arise and how complicated the system of checking would become. Further, the problem is not a short-term one; some

of today's policies will still be with us in fifty years' time, so that we should be handing the problem on to future generations of agents.

Yours faithfully,

F. M. REDINGTON,
Chief Actuary,
THE PRUDENTIAL ASSURANCE CO LTD.

London EC1.

Appointments to the Council

SIR, – At the Institute's annual meeting, Mr G .R. Appleyard is reported as having said:

> '. . . anybody can join a district society, and if they are really interested in Institute affairs, they can get themselves elected to the committee of the district society.'

Recently the district society of which Mr Appleyard is a member held an election to fill certain vacancies on its committee, and four of the candidates were required to be nominated by the prescribed number of members of the society.

The nominators of one of these four included one baronet, four knights, and two Council members who have not yet received the accolade.

Another candidate was sponsored by one baronet, one knight, the Vice-President of the Institute, and two other members of the Council.

A third candidate was supported by only two Council members, and the sponsors of the fourth, unless I do them an injustice, were all persons of lesser eminence.

I understand that the result of the ballot placed these four candidates (disregarding others) in the order in which I have mentioned them. The last two were not elected.

Nothing in this letter should be taken as implying any disparagement of any of the candidates concerned. Nevertheless, it is possible to draw certain inferences from these proceedings. One is that Mr Appleyard's assertion calls for qualification, in that interest in Institute affairs seems not to be the only requisite necessary to secure election to a district society committee. Another is that the recipe for attaining Council membership spelt out at the Institute's annual meeting lacked one seemingly essential ingredient – acceptability to the Establishment.

Yours faithfully,

London EC2. L. H. CLARK, F.C.A.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

C.I.R. *v.* John M. Whiteford & Son

In the Court of Session - May 2nd, 1962
(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT and Lord GUTHRIE)

Income tax - Farming - House on farm occupied by partner - Capital allowances – Whether agricultural cottage or farm-house – Income Tax Act, 1945, section 314.

The respondents, a father and son, owned and operated a farm, and the father occupied the farm-house. The son lived with his father until he married, when the partnership erected a house on the farm for him, and he and his family occupied the house.

The respondents were charged to income tax on the footing that the house was a farm-house, but they contended that it was an agricultural cottage. The General Commissioners agreed with this contention.

Held: the General Commissioners' decision was correct.

Gordon & Blair Ltd *v.* C.I.R.

In the Court of Session – May 3rd, 1962
(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT and Lord GUTHRIE)

Income tax – Loss claim – Brewing company – Cessation of brewing – Sales of beer brewed by another company – Whether same trade carried on – Income Tax Act, 1952, section 342.

The appellant company, prior to October 1st, 1953, brewed beer at its own brewery, and sold the beer in the open market and to its managed houses and its tied houses. As the appellant was making losses, it decided to cease brewing, and it made an arrangement with another brewing company under which from October 1st, 1953, the other company brewed and supplied beer to the appellant at the latter's specification. The beer was delivered in casks provided by the appellant and marked with its name and labels. The appellant did its own bottling. The distribution of beer to customers was carried out by the appellant, and to the same type of customer, and in substantially the same manner, as before that date.

The appellant claimed to be entitled to deduct against profits arising from October 1st, 1953, onwards, the losses it had made before that date. The respondents contended that the losses could not be carried forward, as the trade after that date was not the same trade as that which existed previously. The Special Commissioners decided in favour of the respondents.

Held: the Special Commissioners' decision was correct.

Frasers (Glasgow) Bank Ltd *v.* C.I.R.

In the Court of Session – May 16th, 1962
(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT and Lord GUTHRIE)

Income tax – Banking business – Purchase of stock to support price thereof – Stock subsequently sold at a surplus – Whether surplus a trade receipt – Income Tax Act, 1918, Schedule D, Case I.

In 1947 the stock of House of Fraser Ltd on the stock exchange was falling in price, and at the instance of Sir Hugh Fraser the appellant purchased £800 of stock in 1948. It purchased another £187 10*s* of stock in 1952. The appellant had purchased stocks and shares only twice previously.

In 1958 the £987 10*s* of stock had been converted into £4,314 5*s* non-voting stock and £4,314 5*s* voting stock. The appellant's overdraft with the National Commercial Bank of Scotland Ltd was at that time about £50,000, and the latter was pressing for its reduction, and accordingly the non-voting stock was sold and fetched £23,199. The surplus accruing to the appellant on this sale was £18,300.

It was contended for the appellant that the £18,300 was not realized in the course of carrying on its business, and was a surplus on capital account. It was contended on behalf of the respondents that the £18,300 was a taxable receipt. The Special Commissioners decided in favour of the respondents.

Held (Lord Guthrie dissenting): the Special Commissioners' decision was correct.

Doyle *v.* Davison

In the High Court of Justice in Northern Ireland (Queen's Bench Division) – November 20th, 1961
(Before Mr Justice McVEIGH)

Income tax – Schedule E – Director occupying house owned by company – Rent same as net Schedule A assessment – Sums spent by company on repairs – Whether benefits in kind – Income Tax Act, 1952, sections 160, 161, 162.

A company, of which the respondent was managing director, purchased a dwelling-house on January 21st, 1957. The house was let to the respondent in April 1957, at a rent equal to the net annual value; and prior to the letting the company spent £775 8*s* 10*d* in repairing, altering and adding to the house, which was old and in a bad state of repair. Shortly after the respondent went into occupation the company spent a further £412 1*s* 4*d* on repairs to the house, and this sum was allowed as a deduction in computing the company's Case I assessment. In the company's next accounting period the company spent on the house £343 4*s* 11*d*, which was treated as capital expenditure, and £142 5*s* 8*d* which was allowed as a deduction in the Case I computation.

The Schedule A assessment was made on the company pursuant to paragraph 1 (1) of Part II of Schedule 23 to the Income Tax Act, 1952.

An additional Schedule E assessment made on the respondent for 1957–58 for the £412 1*s* 4*d*, and his Schedule E assessment for 1958–59 included the £142 5*s* 8*d*. It was contended on behalf of the appellant that these two sums were benefits within section 161 of the Income Tax Act, 1952, and that the respondent was assessable under Schedule E in respect thereof. It was contended on behalf of the respondent that sums spent by the company on repairs to the house were not benefits within section 161, in that the benefit year by year was limited, by section 162 (3), to the amount of the net Schedule A assessment. The Special Commissioners decided in favour of the respondent.

Held: the two sums in question were assessable on the respondent.

C.I.R. *v.* Luke

In the Court of Session – May 2nd, 1962
(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT and Lord GUTHRIE)

Income tax – House let by company to director – Rent fixed at arm's length – Repairs done by company – Whether a benefit in kind – Income Tax Act, 1952, sections 161, 162.

The respondent was at the material time the managing director of a company which desired that he should live in Ayrshire and had suggested that a certain house in Troon would be suitable. The respondent bought the house and lived there for a time, and entertained foreign customers of the company. In 1954, as the house was larger than he wished, the respondent sold the house to the company, and the company let it to him. The purchase price and the rent were fixed at arm's length. The respondent occupied the house for about two and a half years till he left to live in England. During his occupancy the company expended considerable sums on repairs and also paid the owner's rates and the insurance. The repairs included the providing of a new hot-house boiler, the supply of a fire-place, the laying of a new water main, and the renewing of the plumbing in the house and the chauffeur's cottage.

The respondent was assessed to Schedule E tax on the sums spent by the company and it was contended for the appellant that the assessments were valid. It was contended on behalf of the respondent that the company's expenditure was not in or in connection with the provision of living or other accommodation, nor the provision of other benefits or facilities, within section 161 (1) of the Income Tax Act, 1952; that the company's expenditure had been made good to the company when the respondent agreed to pay the rent; and that the expenditure had been incurred by the company in the acquisition of an asset, and that therefore, the expenditure was, by section 162 (1), not assessable on the respondent. The General Commissioners decided in favour of the respondent.

Held: the expenditure by the company was in or in connection with the provision of a benefit for the respondent, and was therefore assessable on him.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

SEVENTY-SEVENTH ANNUAL CONFERENCE

About 1,500 members and delegates from local and public authorities attended the seventy-seventh annual conference of The Institute of Municipal Treasurers and Accountants held in Edinburgh on Wednesday, Thursday and Friday of this week.

At the opening session on Wednesday morning, the conference was officially welcomed by the Rt Hon. the Lord Provost of Edinburgh. The official welcome was followed by an address by the Minister of State for Scotland, the Rt Hon. Lord Craigton, C.B.E. In the same session, the conference considered Part A of the Council's annual report and the presentation of prizes in respect of the 1961 examinations took place.

On Wednesday afternoon, the President of the Institute, Mr A. L. Imrie, C.B.E., C.A., F.I.M.T.A., delivered his Presidential Address and afterwards the Institute's annual general meeting was held.

On Thursday, the conference was addressed by the Rt Hon. Lord James of Rusholme on 'Education and national prosperity'. In the afternoon a paper entitled 'Local government units – financial and other considerations' was given by Mr Kenneth Hyde, F.S.A.A., F.I.M.T.A., County Treasurer, Cornwall.

The Rt Hon. Henry Brooke, M.P., Chief Secretary to the Treasury and Paymaster-General, addressed the conference on Friday morning and the conference concluded with the investiture of the new President Mr Norman Doodson, F.S.A.A., F.M.I.T.A., County Treasurer of Lanarkshire.

Extracts from Report of the Council

Rating and Valuation

The Rating and Valuation Act, 1961, received the Royal Assent during the year. The main effect of the Act, read with previous legislation, is that in 1963 derating of industrial and commercial properties will be abolished, and, for the first time since before the war, domestic properties will be valued on a current rental basis, although the Act gives the Minister of Housing and Local Government wide powers to introduce derating for dwelling-houses, if he considers that the impact of the revaluation on domestic ratepayers should be reduced.

The Government have announced in a White Paper on 'Revaluation for rates in 1963 – the rate liability of the householder' (Cmnd. 1663) that these derating powers will not be used. Although details of aggregate values of the main classes of properties have not been published, the White Paper shows that domestic ratepayers will on average bear rather less than their present share of the total burden, in spite of increases in average gross values of houses to some four times their values in the lists current in 1939 (which related to the valuation lists prepared in 1934).[1] The overall reduction for domestic ratepayers of 1·6 per cent covers variations ranging from an increase of 27 per cent in one county borough to a reduction of 21 per cent in two counties. These variations are within the limit of one-third increase contemplated as reasonable by the Government, but the shift of incidence to domestic ratepayers in particular rating areas within administrative counties may well exceed that limit, as, of course, may the increases of individual domestic properties in any part of the country.

The Minister's figures take account of increased rate deficiency grant due to increased disparity in rating resources resulting from revaluation. Local authorities will be strongly of the opinion that the general grant should not be reduced on account of increased rateable resources, as was done on partial rerating of industry in 1959. The effect of the revaluation is to redistribute the rate burden between classes of ratepayer; it will not alter the amount required to be raised from them. . . .

[1] The increase on the values in the current lists (prepared in 1956 and bringing up house values from 1934 to 1939) is about three times on average.

Local authority treasurers are always anxious to secure to their authorities the advantage that can be derived from mechanical accounting. Section 14 of the Act, permitting the discontinuance of the use of traditional rate books without the need for the Minister's dispensation will therefore be welcomed. As a consequence of this provision the Ministry has made new Rate-accounts Regulations to replace the restrictive provisions of the previous regulations.

The Act makes a number of other changes in the law of rating and valuation, including provision for a formula method for the assessment of statutory water undertakings, and gives the Minister power to introduce formula valuations, by agreement with interested parties, for properties now valued by reference to accounts. There is grave disquiet among rating authorities about recent decisions applying the profits basis to hereditaments of statutory undertakers who are precluded from making commercial profits, resulting in nil valuations for extensive dock installations; unless the new formula basis gives more equitable results, some amendment of the law would appear desirable.

Housing

The Housing Act, 1961, received the Royal Assent during the year under review, providing for a new system of housing grants under which the amount of grant paid to an authority will be determined by an assessment of the adequacy of the resources of the authority. The two basic rates of subsidy are £24 and £8 a dwelling for sixty years. Which of these rates will be received for particular houses will depend on the authority's actual expenditure on housing in the previous year compared with an assumed income made up of the actual subsidies and miscellaneous income received together with twice the gross value of their house property (that is, an assumed rent). If the expenditure is greater than the 'income', the higher rate of subsidy will be payable; if smaller, then the subsidy will be £8. This test will be applied each year to take account of changing circumstances.

Another new feature of the subsidy arrangements is the power given to the Minister to reduce or abolish subsidies payable under the Act. This does not apply to previous commitments and will not be exercised within the next ten years. . . .

The growing emphasis on the need for urban redevelopment will also add to the difficulties of many local authorities in carrying out their housing functions under the new subsidy arrangements unless realistic rent policies are adopted. . . .

Local Government Areas

The Council has had under continuous examination the proposals for the reviews of local government reorganization by the Local Government Commissions. The orders which will be made by the Minister of Housing and Local Government will give rise to a number of financial problems, including such matters as financial adjustments, superannuation funds and compensation to officers. . . .

The financial problems affecting superannuation funds will be complex. They will be affected by the extent to which local authorities are wholly or partly absorbed into other units of local government, whether those authorities administer superannuation funds themselves or participate in funds of other authorities or of joint committees.

Some precedents have been established in the transfers between local authorities and the various public boards and in the regrouping of water undertakings which has been taking place in recent years. However, the problems likely to be posed by the reorganization of local government particularly in London and the conurbations may be unique.

Proposals for the reorganization of local government into a smaller number of larger units will have a substantial effect upon the salary, status and prospects, of a considerable number of officers. This Institute can only be concerned in these developments in so far as local government finance is concerned.

The code of compensation established by the Local Government Act, 1933, was superseded and the present code established in 1948 consequent upon the social legislation which was enacted in the years immediately following the Second World War.

The Minister of Housing and Local Government has informed local authorities and staff associations of his intention to make some improvements in the compensation settled for similar purposes in the immediate post-war period.

Reorganization on the scale contemplated will inevitably create additional burdens for finance departments whilst the new authorities are being constituted and services are being transferred. Many chief and senior officers in the areas affected are nearing retiring age and there is already an acute shortage of professional officers in these areas. The Council considers that this aspect of the main problem is one which will merit serious consideration by the Ministry and by the local authorities affected and will keep the matter under review.

Trustee Investments Act, 1961

The Trustee Investments Act, 1961, which came into operation in August 1961, gave 'trustee status', subject to certain conditions, to loans made to local authorities on the security of deposit receipts.

A few authorities before the passing of this Act had local Act powers enabling investments to be made in 'equities'. The main effect of the Trustee Investments Act, 1961, was to extend this power to all authorities by permitting the investment of up to half of all funds investable in securities open to trustees (other than those funds applicable to the redemption of debt) in 'wider range securities'.

The practical effect of this extensive change in the investment powers of local authorities had been anticipated by a proposal that an investment trust available only to local authorities be set up. This suggestion enabled the Local Authorities Mutual Investment Trust – commonly known as LAMIT – to be available by the time that this new Act came into operation. Some members of the Institute are giving a great deal of time to this new venture which, it is understood, has already justified its inauguration . . .

PRESIDENTIAL ADDRESS

In his presidential address Mr A. L. Imrie, C.B.E., F.I.M.T.A., C.A., City Chamberlain, Edinburgh, surveyed a wide range of topics of general interest to those occupied in public finance. He discussed first some general problems of local government today, and then turned to examine in detail the financial problems which are the special concern of Institute members.

Mr A. L. Imrie

Mr Imrie reviewed the nationalization of some local authority services after the Second World War and the greater use of fiscal measures by the central Government as instruments of economic policy. He pointed out the danger that local government might be replaced, to a greater or lesser extent, by Government departments or regional boards. He did not agree that the efficiency of large local government units was such as to outweigh all other considerations. There was much to be said for the close identification of local councils with the local inhabitants: there was a good deal of speculation about the need for an Ombudsman, but most councillors were already doing that job.

Role of Finance

The need for local authorities to adapt themselves to changing conditions extended to their servants; the chartered municipal treasurer was not only a bookkeeper and paymaster, but also an adviser with a vision going far beyond his particular responsibility. The role of finance was 'no longer beneficially obstructionist, as some used to say, but . . . wisely regulatory'. Mr Imrie did not believe that local government had been left in decaying circumstances by the loss of some of its functions, nor that local authorities had become little more than obedient instruments of the central Government.

Mr Imrie then turned to specifically financial problems. He discussed at some length the growing outlay of public authorities, an outlay to which local government was a notable contributor. He posed the question of what proportion of the national income could be taken in taxation without injury to the economy. The answer was a rise in productivity which would bring about a relative diminution – if not a withering – of expenditure on the welfare state.

The proportion of local government expenditure defrayed, through the grant system, from national taxation had risen steadily, and local government had become 'an unwilling applicant for national assistance'. It was right for the Exchequer to contribute to the major national services: unfortunately some Government aid beyond this was required, in order to bolster the weakness of the rating system. Mr Imrie examined the ratepayer's ability to pay – the ratio of rates to income. The 'regressiveness' of rates had probably been lessened by the rising living standards of working people, and by the introduction of equalization grant.

Alternative Sources of Revenue

Despite the disadvantages of the rating system, the Government had decided against introducing a new source of local revenue. Mr Imrie reviewed the possibilities – the transfer to local authorities of certain national taxes (for example, entertainment tax or vehicle excise duty), a poll tax, the rating of site values and a local income tax. He considered the last two at some length, and referred to an investigation he had made, at the invitation of the Royal Institute of Public Administration, of the Swedish local income tax system.

In his concluding remarks, he said:

'Some may ask what is the difference between the proposition for treating local rates as a payment on account of income tax and the more simple method of increasing the rates of income tax and handing the additional yield to local authorities. The additional aid would require to be substantial. Apart from the fact that the Government has declared and demonstrated its unwillingness to do so, it is my view that such a proposal would shackle local authorities more firmly in servitude to central department control and would do nothing to deliver them from their villeinage. If local rating was abolished, local authorities would be strictly confined within the financial resources made over to them by the Government and local government would fade away. If Exchequer grants were not sufficient to meet local outlay, local rates in some shape or form would require to be continued to cover the balance – it is merely the existing system with a change in emphasis between Exchequer aid and rates. Certainly the simplest way to reduce the burden of rates is to expand the aid from national taxation, but local authorities would be better served by a system which puts a boot on one of their feet at least – although the last is shaped to the resources reasonably available – thereby ensuring [illegible] less independence than they have at the present time. If either course were adopted the taxpayers would have to pay more and there is the possibility of a revision of the tax structure. There is the thought that taxes can reach a point when so much is abstracted from the pockets of the people that enterprise is discouraged and currency inflation is encouraged. The nation's livelihood must not be endangered, no matter what the economy in which the nation lives and works.

'There can be other propositions for local taxes – payroll tax and sales tax – but none is likely to win or merit widespread support. One remembers the outcry against the Chancellor's suggested regulatory payroll tax last year. There are already plenty of taxes and surely some means can be devised for mitigating the rating burden and the financial difficulties of local authorities within the existing national taxation system. All taxes are unpopular, few, if any, more so than local rates, but they are necessary to finance the public services. The trouble is the overall load of taxation; indirect taxes enter into the prices of commodities, many of which are no longer regarded as luxuries but as necessities, and exert pressure on the cost of living; the more obvious direct taxes are seen as a clear deduction, substantially diminishing free income, and at higher levels are charged with stifling initiative and enterprise. On the other hand social responsibility and thinking demand the national and local provision of welfare and other services and the more these expand, the greater the sum to be abstracted from the people in taxes and rates. There is thus the conflict of disinclination to pay taxes and the intent to improve and extend the public services; there is the conflict between the taxing and rating authorities, each of which invades the pockets of the people; there is the conflict between those who have and those who have not; there are many conflicts in the field of human institutions and relationships. Local authorities are in the midst of these things, but they are not alone in contending against difficulties. In seeking to solve the problem of public finance the text to remember is that what the Government gives, it first must take away. There is the thought also that there is so much still to be done that local outlay during the next decade or two may rise more rapidly than the national income, in which event the rigidity and inadequacy of the rating system may endanger local government. It is time now to think of how better to endow local government with more productive financial resources.'

LOCAL GOVERNMENT UNITS
Financial and Other Considerations

In his paper to the conference on Thursday afternoon, Mr Kenneth Hyde, F.I.M.T.A., F.S.A.A., County Treasurer of Cornwall, surveyed the considerations involved in determining local government units. He briefly outlined the history of boundary reviews up to 1958, and discussed in detail the Local Government Commission Regulations, 1958, which lay down the principles to be adopted by the Commissions for England and Wales in their reviews of status and boundaries. Among the important factors considered were 'financial resources measured in relation to financial need'. To be effective, a local authority must be able to provide for itself comprehensive services over the whole range of its functions.

Mr Hyde then considered the present English and Welsh counties in the light of these principles, and examined Rutland as an example of a county held by the Local Government Commission to be too small for the effective discharge of its functions. He went on to review some of the smaller county boroughs, and then dealt with the special problems of the conurbations. The Commission have dealt with the West Midlands differently from London and Tyneside, and Mr Hyde examined the two patterns of local government recommended for these areas.

No special guidance had been given to the county councils about how to approach the reviews of the county districts, and Mr Hyde analysed the existing county districts according to population. He considered that a county district needs a penny rate product of about £1,000–£1,250, at present valuations, to operate as a fully effective unit. As a general rule, such a county district would have a population of not less than 15,000. As many as 673 county districts have populations under 15,000.

In the determination of local government units, the financial factors show that there is a minimum size for each unit, below which it will not be fully effective because of lack of resources. Mr Hyde's paper dealt primarily with these financial factors, but he also referred to the other considerations to be taken into account – community of interest, development (and expected development), economic and industrial characteristics, suitable boundaries, means of communication, the distribution of the population, the size and shape of areas, and the wishes of the inhabitants.

The next section of Mr Hyde's paper was entitled 'Spreading the burden', and in it he dealt with the principle that wealthy areas (in terms of rateable value) should bear a higher proportion of expenditure than the poorer. He cited in detail the London Equalization Scheme, which the Royal Commission on the Government of Greater London thought should be retained in a modified form.

Mr Hyde concluded that the local government structure urgently needed bringing up to date. Experience showed that many existing local authorities were too small, and many small authorities must disappear.

Notes and Notices

PROFESSIONAL NOTICES

MESSRS CLARK, BATTAMS & Co, Chartered Accountants, announce that from June 15th their address will be Rowland House, 6 Eldon Street, London EC2. Telephone: Bishopsgate 5791. Their registration department will remain at 32 Victoria Street, London SW1, until June 29th, when it will be removed to the new address.

MISS C. M. COLLINGS, F.C.A., of 122 Hadham Road, Bishop's Stortford, announces that as from May 1st, 1962, she has entered into a partnership arrangement with the firm of SLATER, DOMINY & SWANN, Chartered Accountants, of Cambridge, and that her practice will continue at its present address under the name of COLLINGS, SLATER & Co.

MESSRS A. F. FERGUSON & Co, of Karachi and branches, announce that with effect from June 1st, 1962, they are opening an office in Chittagong. The address will be Spencer's Building, Quaid-e-Azam Road, Chittagong, East Pakistan.

MESSRS GULLY, STEPHENS, ROSS & GREGORY, Chartered Accountants, announce that they have now moved their offices to 17 Devonshire Square, London EC2.

MESSRS EDWARD MYERS, CLARK & Co and CLARKE, ECKERSLEY, PRENTICE & Co (incorporating GEORGE PEDLEY & Co), of London, Manchester, Watford and Burnley, who have been associated for many years, announce that they will in future carry on the practice under the name of EDWARD MYERS, CLARK, ECKERSLEY & Co. They also announce that they have amalgamated their practice, as from May 1st, 1962, with that of the old-established Manchester firm of PILLING & Co, and have been joined in partnership by the partners of that firm, Mr F. W. BUCK, F.C.A., and Mr N. PILLING, F.C.A. The joint practice will be carried on under the name of EDWARD MYERS, CLARK, ECKERSLEY & Co. They further announce that as from April 1st, 1962, they have become associated with J. G. BIRKETT & Co, of Watford (formerly GRAY, STAINFORTH, BIRKETT & Co), and Mr P. J. L. CASE, F.C.A., and Mr B. ARNOLD, F.C.A., have joined Mr BIRKETT in partnership. The practice will be carried on under the name of J. G. BIRKETT & Co.

Appointments

Mr J. Garton Ash, M.C., M.A., F.C.A., has been appointed chairman of Kamna Ltd, to fill the vacancy caused by the death of the late Mr H. Garton Ash, O.B.E., M.C., F.C.A.

Mr Derick Bolton, F.C.A., has been appointed to the board of Greengate & Irwell Rubber Co Ltd.

Mr M. S. Cohen, B.COM., A.C.A., has been taken into partnership with Messrs Phillips & Drew, stockbrokers.

Mr A. Dent, F.S.A.A., A.I.M.T.A., D.P.A., has been appointed chief accountant of the South Eastern Electricity Board. He is to succeed Mr Ernest Sinnott, F.I.M.T.A., F.S.A.A., who was recently appointed deputy chairman of the Board.

Mr J. Logan, F.C.A., has been appointed an additional director of Sir George Godfrey & Partners (Holdings) Ltd.

Mr Richard Otley, F.C.A., has been appointed a director of Stewarts and Lloyds and will continue as secretary of the company.

OBITUARY

Jack Ashworth Smith, F.C.A.

We have learned with regret of the death on May 17th, at the age of 62, of Mr Jack Ashworth Smith, F.C.A., financial director of Turner & Newall Ltd.

After serving in the First World War in the Royal Navy, Mr Smith entered the service of the Lancashire & Yorkshire Railway Co, Manchester. In 1925 he entered the employment of Messrs Parkinson, Mather & Co, Chartered Accountants, of Manchester, and in the Final examination of the former Society of Incorporated Accountants in 1931 he gained first place and was awarded the Society's gold medal. Following integration, he became an associate of The Institute of Chartered Accountants in England and Wales in 1958 and a fellow in 1960. Mr Smith joined the staff of Turner & Newall Ltd, head office, in 1934, to form the internal audit department of which, for a time, he served as head. He later became the company's accountant, and in January 1949 he was elected to the board.

At the time of his death Mr Smith was also a director of several subsidiary companies of Turner & Newall Ltd, both in the United Kingdom and overseas.

DOUBLE TAXATION CONVENTION

United Kingdom and South Africa

A double taxation convention between the United Kingdom and South Africa was signed in Cape Town on Monday.

The convention, which is subject to [redacted], replaces the agreement signed in 1946. It [redacted] the avoidance of double taxation of income and profits and is expressed to take effect in the United Kingdom for income tax from April 6th, 1962, and for profits tax from January 1st, 1962. The full text will be published shortly by H.M. Stationery Office.

COMPANY INVESTIGATION

Mr W. H. Lawson, C.B.E., B.A., F.C.A., a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, and a Past President of The Institute of Chartered Accountants in England and Wales, and Mr N. J. Skelhorn, Q.C., have been appointed by the Board of Trade under section 165 (*b*) of the Companies Act, 1948, as inspectors to investigate the affairs of Livestock Marketing Co Ltd, Northern Livestock Producers Ltd, Southern Livestock Producers Ltd, Western Livestock Producers Ltd, Highland Livestock Producers Ltd and Agribusiness Ltd.

IN PARLIAMENT

Income Tax Act, 1952: section 159

Mr GOODHEW asked the Chancellor of the Exchequer if he will now implement the recommendation of the Royal Commission on Taxation regarding the repeal of section 159 of the Income Tax Act, 1952.

Mr BARBER: I recognize that this section gives rise to some anomalies, and I will keep the question of its repeal under review.

Mr GOODHEW: How long does my hon. friend intend to continue keeping this matter under review? Is he not

aware that, however much he may be under fire at the Treasury, the war referred to in this section ended long ago? Is it reasonable that tax relief for expenses for travelling to and from work should be given to one part of the community because of changes in wartime, while the rest of the community is denied that relief?

Mr BARBER: I see the force of my hon. friend's point with regard to this section considered in isolation, but the object of the section is quite different from the object of some of my right hon. friends with regard to a general tax allowance for travelling. That raises much wider questions and, indeed, I think I am right in saying that there are new clauses about it on the Notice Paper for the Finance Bill.

Hansard, May 24th, 1962. Oral Answers. Col. 654.

Taxation and Gross National Product

Mr WARBEY asked the Chancellor of the Exchequer what was the percentage increase in direct and indirect taxes, respectively, between 1950 and 1961, including in indirect taxes the amount paid in National Health and Insurance contributions; and what, during this period, was the percentage increase in the gross national product.

Mr BARBER: In money terms, the increase in indirect taxes levied by the central Government, together with National Insurance and Health contributions, was 79 per cent between 1950 and 1961. The increase in direct taxes on income and capital was 67 per cent and in gross national product 102 per cent.

Hansard, May 24th, 1962. Oral Answers. Col. 659.

SCOTTISH INSTITUTE'S COMPUTER COURSE

Seventy-three members of The Institute of Chartered Accountants of Scotland attended the fourth of the [redacted] computer courses held at the Turnberry [redacted]rry, Ayrshire, from May 23rd to 26th. [redacted]he Pr[redacted]t of the Institute, Mr James C. Stewart, C.A., welcomed members, and the course was opened by the convener of the computer course committee, Professor Robert Browning, M.A., LL.B., C.A., Professor of Accountancy at the University of Glasgow. Among the subjects dealt with were: 'Introduction to electronic data processing', by Mr T. B. Simpson, C.A., of John Brown & Co (Clydebank) Ltd; 'Input, output and storage', by Mr Graham Morris, B.SC., A.R.I.C.; 'A typical business application', by Mr H. W. Matthews, of Urwick Diebold Ltd; 'Problems to solve before and after installation of a computer', by Messrs D. G. E. Benzie, D.F.C., C.A., J. T. H. Macnair, M.C., B.A., C.A., both of London, and practising accountants; J. W. Randall, A.C.W.A., Rolls-Royce Ltd; and Ronald Peddie, B.A., C.A., The United Steel Companies Ltd.

Other features of the course included two question time sessions, a visit to the I.B.M. factory at Greenock, and a talk on computer terminology by Mr Graham Morris, B.SC., A.R.I.C., of International Computers & Tabulators Ltd, followed by two films on computers.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

New President

Mr A. D. Langridge, F.C.A., has been elected President of the South Eastern Society of Chartered Accountants for 1962–63. Mr Langridge was admitted to membership of the Institute in 1933 and, since 1934, has been a partner in the firm of Langridge & Langridge, Chartered Accountants, of East Grinstead, Haywards Heath and Lewes.

Mr A. D. Langridge

He has served on the Committee of the South Eastern Society since 1946 and has been a member of the Society's Regional Taxation and Research Committee since 1942, being secretary from 1947–50 and chairman from 1953–55.

In 1960 Mr Langridge became a vice-president of the South Eastern Society and chairman of the Kent and Sussex Branch.

Annual Report

The Committee's twenty-ninth annual report records that membership at January 1st, 1962, totalled 598. There were 374 members in the Society's Kent and Sussex Branch and 224 in the Hants and Dorset Branch.

Local members' groups were active during the year, the Bournemouth group met on eight occasions; the Isle of Wight group held five meetings during the year, and four meetings were held by the Portsmouth and District group. The main event in the winter session of the Southampton and District group was an address by Mr David Price, M.P., on 'The Common Market'.

In the Kent and Sussex Branch, the groups at Brighton, Canterbury, Hastings and Maidstone all held a number of meetings during the year, with improved support by members.

The report states that in connection with the Institute's small practitioner inquiry, thirteen meetings were held during the year throughout the Society's area; 554 invitations were sent out and 192 practising members attended. The Committee expresses its gratification at the enthusiastic response from members and firms willing to give information anonymously on overall results and partners' income, staff and articled clerks' remuneration, hourly charging rates and the manner in which fees were calculated.

Members, it is stated, were generally of the opinion that the remuneration of practising members was inadequate and compared unfavourably with that of other professions. It was recommended that a minimum scale of charges for the guidance of practitioners should

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be published by the Institute. Members were also strongly in favour of the Institute undertaking greater publicity in order to make the public more aware of the services offered by chartered accountants.

BEDS, BUCKS AND HERTS CHARTERED ACCOUNTANTS

The annual meeting of the Beds, Bucks and Herts Branch of The London and District Society of Chartered Accountants was held at Dunstable on May 7th under the chairmanship of Mr J. L. Dickinson, F.C.A. Nearly sixty members were present.

The report of the Committee for 1961–62, which was presented, shows that membership at March 31st, 1962, totalled 237, compared with 230 the previous year. The Committee expresses the hope that present members will assist to increase the growth and influence of the Branch by encouraging others in their locality to join.

Branch activities included a stimulating and informal meeting with H.M. Inspectors of Taxes of Bedford, Dunstable, Luton, Watford and City 11 District, and regular meetings were held in Luton and Watford on a variety of accounting subjects. The first dinner of the Branch took place in Aylesbury on November 14th and was well attended by members and guests; an address of welcome was given by the Mayor of Aylesbury. In March this year a successful dinner-dance took place in Luton.

Completed questionnaires in respect of the Institute's small practitioner inquiry were returned to the London and District Society and a meeting of practitioners from all parts of the Branch area was held in Luton to discuss a summary of the answers to the questionnaire.

Following the annual meeting there was an interesting discussion with the following industrialists on 'Top management's views on chartered accountants': Mr W. A. Hartop (George Kent Ltd), Mr G. Hickson (Laporte Chemicals Ltd), Sir Reginald Pearson, O.B.E. (Vauxhall Motors Ltd), Mr R. Watson Lee (Commer Cars Ltd), Mr W. A. Summers, O.B.E. (Hunting Aircraft Ltd).

The following officers have been elected for 1962–63:

Chairman: Mr P. J. L. Case, F.C.A.
Deputy Chairman: Mr J. L. Dickinson, F.C.A.
Vice-Chairman: Mr R. F. Waterfall, F.S.A.A.
Hon. Secretary: Mr E. J. Frary, F.C.A., Messrs Hillier, Hills, Frary & Co, 26 Victoria Street, Luton, Beds.
Treasurer and Assistant Secretary: Mr A. J. Philpott, B.A., A.C.A.
Auditor: Mr E. G. Squires, F.C.A.

SOUTH WALES AND MONMOUTHSHIRE CHARTERED ACCOUNTANT STUDENTS

The thirty-eighth annual report of the South Wales and Monmouthshire Chartered Accountant Students' Society, presented at the annual meeting on June 1st, shows that membership at the end of 1961 numbered 279.

Regular Saturday morning lectures were held during the year and were most successful, though the Committee states that it would be encouraging to see more Final students present. A series of lecture meetings was also held on Fridays.

The eleventh annual dinner-dance was again held at the Park Hotel, Cardiff, while at sport the Society had another very successful year during which there were no defeats at rugby, soccer or cricket; at rugby the Society excelled itself by scoring over ninety points with only nine against. The golf and tennis teams were also successful in matches played at Bristol and Swansea.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday, June 4th, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be John, Chapter 16, verses 7 to 11 (The convincing of the Spirit).

CHARTERED ACCOUNTANTS' LODGE NO. 3162

At the installation meeting held at the Piccadilly Hotel, London W1, on May 9th, W.Bro. William Henry Parton was installed in the chair by W.Bro. K. S. Carmichael. The officers appointed were:

W.Bro. K. S. Carmichael, *I.P.M.*; Bro. J. [illegible] Hodgson, *S.W.*; Bro. S. R. Curtis, *J.W.*; W.Bro. H. M. [illegible]thorne, L.G.R., P.M., *Treasurer;* V.W.Bro. H. A. R[illegible]Wilson, P.G.TREAS., P.M., *Secretary;* W.Bro. D. [illegible]cy Jones, L.G.R., P.M., *D.C.;* W.Bro. G. S. H. Di[illegible]t.D., *S.D.*; W. Bro. G. J. Hakim, P.P.G.TREAS. (Middlesex), *J.D.*; W.Bro. A. A. B. Yeatman, P.G.STD., P.M., *Organist;* Bro. D. A. Redston, *I.G.*; Bro. J. B. Lewis, W.Bro. R. H. Jenkins, *Stewards;* W.Bro. W. T. Lovell, *Tyler.*

Among those present were: V.W.Bro. A. W. White, G.TREAS.; W.Bro. C. Simmon, A.G. *Registrar.*

THE INSTITUTE OF BANKERS

At the eighty-fourth annual general meeting of The Institute of Bankers held on May 16th, Sir Edward J. Reid, Bt, O.B.E., a director of Baring Brothers & Co Ltd, was elected President of the Institute for the ensuing year, in succession to Sir Eric A. Carpenter, O.B.E., chairman of Williams Deacon's Bank Ltd, who has been President since May 1960.

The Council's report for 1961–62, which was presented at the meeting, records that membership at December 31st, 1961, reached the record level of 52,008. This was an increase of 3,393 over the previous year: in the past three years membership has grown by

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8,568 – almost as many as the increase (9,404) in the quarter of a century before that.

The report states that the eighty-one local centres of the Institute arranged over 500 well-attended meetings during the year which included lectures, discussions, study groups, debates, industrial visits, public dinners and other social events.

SEMINAR ON UNIFORM ACCOUNTING

A seminar on uniform accounting is to be held during the week commencing July 2nd by The Polytechnic, Department of Management Studies. The object of the seminar is to bring together accountants in practice, industry, local and other public authorities, and consultants to study the form and content of accounting statements. Participants will be asked to bring examples of accounts they prepare for management (if necessary disguising the figures). The legal and other constraints which are responsible for the form and content of the statements will be discussed and suggestions offered for their improvement.

The fee for the seminar is five guineas. Further details from The Polytechnic, Department of Management Studies, 204 Albany Street, London NW1.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society played its annual match against The Bar at Woking golf course recently.

The course, which is the home of The Bar, is one of the most enjoyable, and the match is always a very popular one. At the conclusion of the morning round the Accountants were leading by one match but in the afternoon they lost three out of the five matches and the day finished with a win for the Bar of 5½ to 4½.

The team consisted of five pairs, and ten foursome matches were played. The results (Chartered Accountants' names first) were as follows:

MORNING

J. M. Kaye and S. G. Sillem beat D. Tudor Price and R. Borneman, Q.C., 2 up.
H. C. Staines and D. W. Gibson beat I. Davidson and R. Ward, 1 up.
D. G. Richards and E. Head lost to D. Henry and A. Hollis, 3 and 1.
M. A. P. Gay and N. W. Collett lost to Judge P. I. Bell, Q.C., and J. McDonald, 1 down.
A. Coleman and J. D. Green beat G. Willett and W. Glover, 2 and 1.

AFTERNOON

Kaye and Staines lost to L. Paddy and Davidson, 2 and 1.
Sillem and Gibson lost to Tudor Price and McDonald, 3 and 1.
Richards and Collett halved with Henry and Glover.
Gay and Coleman beat Ward and Borneman, 3 and 2.
Head and C. I. Steen lost to Bell and Willett, 1 down.

Annual General Meeting

The sixty-third annual general meeting of the Chartered Accountants' Golfing Society was held at the Sea Bank Hotel, Porthcawl, on May 12th, during the week-end meeting at the Royal Porthcawl Golf Club, South Wales, under the chairmanship of Mr J. B. Pittman, who was again elected President. Mr D. W. Gibson was elected Captain and the retiring Vice-Presidents, Messrs L. R. Elcombe, D. V. House and L. E. Parsons were re-elected. Mr C. G. Midgley was also elected a Vice-President of the Society.

The following were also elected:

Vice-Captain: Mr H. C. Staines.
Hon. Secretary and Treasurer: Mr E. H. Head.
Hon. Match Secretary: Mr C. I. Steen.
Asst. Hon. Match Secretary: Mr D. W. Gibson.

Messrs E. H. Wingfield, S. G. Sillem and L. V. Mills were re-elected to the Committee. Mr W. B. Henderson was also elected to the Committee.

Mr J. S. Hyland was reappointed hon. auditor.

The leading results of the competitions were as follows:

CAPTAIN'S PRIZE

(presented by the retiring Captain, Mr A. W. Coleman)

1.	A. W. Coleman (12) ... ... Wins Ernest Cooper Cup.	35	points
2.	H. W. Pitt (9) ... ... Wins Captain's Prize on last nine holes and Mystery Prize.	34	,,
3.	H. C. Staines (6) ... ... Wins Second Prize and Scratch Prize.	34	,,
	H. Lemmon (11)	33	,,
	J. M. Kaye (4)	32	,,
	H. J. Finden-Crofts (15)	30	,,
	W. O. Newcomb (5)	30	,,
	W. B. Henderson	29	,,
	J. M. Sant (6)	29	,,
	D. Winks (5)	29	,,
	E. H. Head (10)	28	,,
	R. A. Daniel (12)	28	,,
	P. H. Blandy (13)	28	,,

SATURDAY FOURSOMES

1.	A. W. Coleman (11) and D. W. Gibson (8) Win first prize.	28	points
2.	J. M. Kaye (4) and H. W. Claxton (8) Win second prize on last nine.	27	,,
	E. H. Head (10) and R. A. Daniel (12) ...	27	,,
	H. J. Finden-Crofts (15) and W. B. Henderson (5)	26	,,

SUNDAY FOURSOMES

1.	H. C. Staines (6) and D. Winks (5) ... Win first prize.	29⅛	points
2.	W. O. Newcomb (5) and J. M. Sant (6) ... Win second prize on last nine holes.	28⅛	,,
	A. W. Coleman (11) and D. W. Gibson (8)	28⅛	,,

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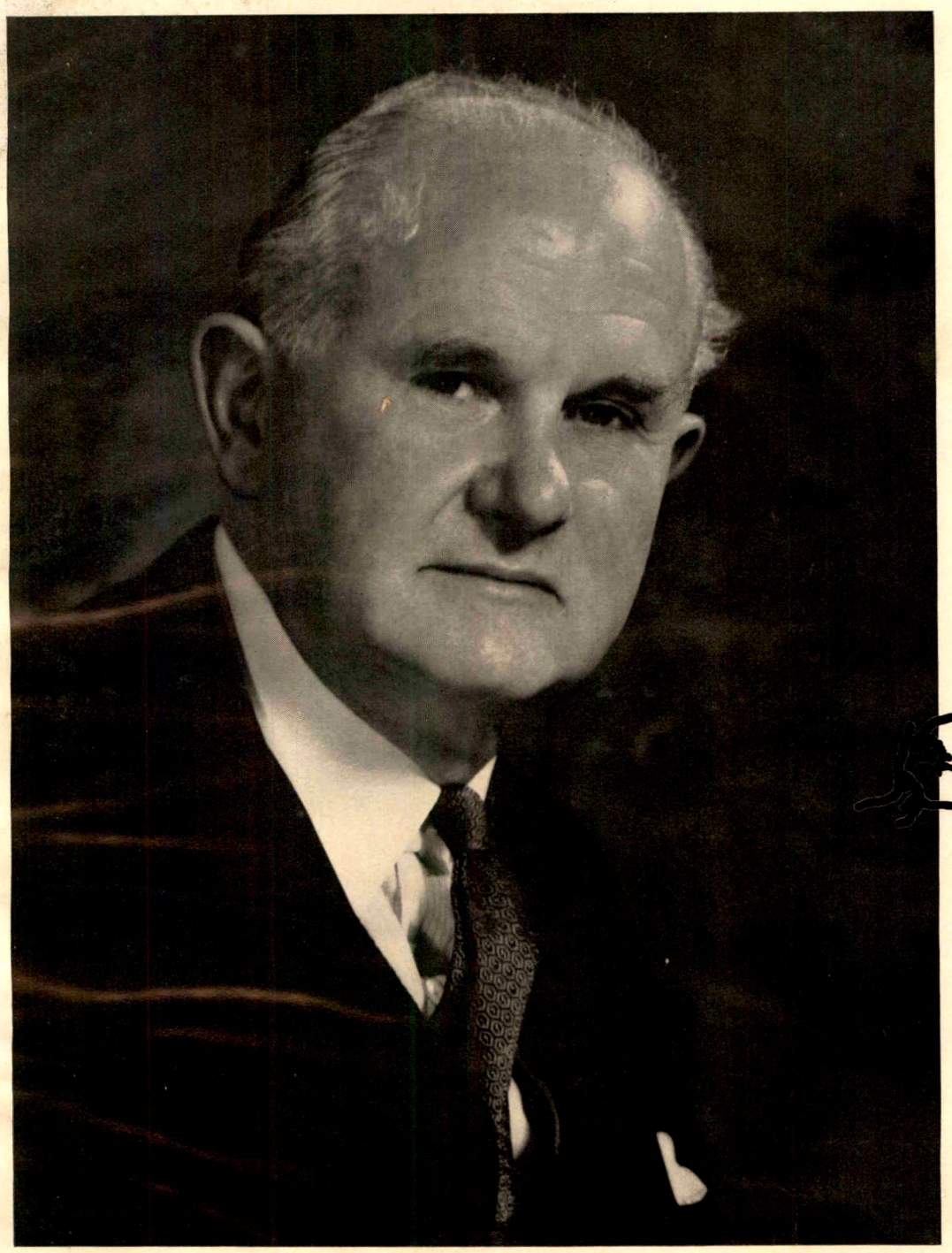

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President
The Institute of Chartered Accountants in England and Wales
1962

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THE ACCOUNTANT

ESTABLISHED 1874

JUNE 9TH, 1962 VOL. CXLVI. NO. 4564

CONTENTS

	Page
Taxing Masked Building Profits	737
Companies Report	739
Double Tax Relief Claims Without Tears by *Félice V. Slade, A.C.A.*	740
Sickness and Accident Policies *Contributed*	743
Weekly Notes The Institute's New President – The New Vice-President – Birthday Honours – Municipal Treasurers' New President – Jenkins Report Looms Nearer – Easier Deposits for Banks and Public – Clearing up the Back Duty Muddle – Accountants in Demand – Confidence in Atlantic Shipping	745
This is My Life . . . by *An Industrious Accountant*	748
Finance and Commerce The Limmer & Trinidad Lake Asphalt Co Ltd – The Jasper Companies – Radiation Ltd – City Notes – Rates and Prices	749
Decimal Currency Memorandum of the Institute of Cost and Works Accountants	753
Correspondence The Leonardo Appeal – Deposit Account Interest – B.U.P.A. Accountants' Group – How to Decimalize the Currency	755
Taxation Case *In re* Bird	756
Notes and Notices	757
Bank Holiday Crossword Compiled by *Kenneth Trickett, F.C.A.*	760

Taxing Masked Building Profits

TWO weeks ago we discussed clause 20 of the Finance Bill, which imposes tax on the proceeds of sales of land by a company associated with a dealer in land. This week we examine the sister clause, clause 19, which had a remarkably smooth passage through the committee stage. Some notoriously large fortunes have been made in recent years in the sphere of land development in this country. Bearing in mind that the top rate of income tax and surtax is still very high, 17*s* 9*d* in the £, it is a fair inference that a good part of these fortunes represent untaxed profits. In view of the readiness of the Inland Revenue to allege trading whenever anyone sells land at a profit, the immunity from tax of those profits is no accident; it must have been achieved in many cases by astute avoidance devices. Clause 19 is directed against a particular kind of device in connection with the development of land by building on it.

A builder (whom we will call X.) who acquires land, builds on it, and then sells or leases the built-on land, is obviously carrying on a trade and must pay tax on the profit. To avoid the tax he may sell his building business to a company controlled by him. A purchaser is found for the eventual building. This purchaser enters into a contract with the building company to erect the desired building. At the same time he negotiates for a building lease of the land, from X. its owner. The price paid to the building company for erecting the building is such as barely to cover the building company's costs, so that its building business produces no taxable profit. Bearing in mind the bargain he has had from the building company, the ultimate purchaser will be inclined to be generous when paying a premium to X. for the building lease. X., having sold his building business, is no longer a trader. Accordingly the Revenue find it very difficult to charge him to tax in respect of the profit on the grant of the lease.

Into this lacuna steps clause 19 with the very laudable object of taxing X. on his gains. One could only wish that the drafting of the clause was a little more precise. Its smooth passage through the House was attributable not so much to its clarity as to its obscurity. With one honourable exception, no member had the temerity or the fortitude even to discuss it. Nevertheless, it ought to have been probed because it may well strike the innocent far more than the guilty. The guilty are always one ahead of the legislator. They have the resources and the astuteness to take legal advice before embarking on a transaction, dubious or otherwise.

The innocent ones go rashly ahead, only to find too late that they have incurred heavy tax liability under some obscure section they had never heard of.

Clause 19 (1) postulates a triumvirate consisting of the ultimate purchaser (whom we call P.), the actual builder (whom we call B.) and the person who is sought to be taxed, X. 'Builder' here is defined to mean a person carrying on a trade which consists of or includes the erection, or securing the erection, of a building (clause 19 (4)). Some or all of these persons will probably be companies. The sub-clause imposes Case VI liability on X. in the following circumstances:

(*a*) P. contracts with B. for the erection of a building.

(*b*) The building is to be on land acquired (or to be acquired) in connection with that building contract.

(*c*) The land is acquired from a person 'associated with' B. This associated person is of course X.

(*d*) X. is not disposing of the land in the course of carrying on a trade of dealing in or developing land.

If all these conditions are satisfied, a computation has to be made. One adds to the consideration received by X. from P, the market value of any interest which X. retains in the land. From this total is deducted the cost to X. of the land. The balance is the measure of deemed income assessable on X. under Case VI. To prevent X. from minimizing the chargeable profit by disposing of the reversion at the same time that he grants the lease, clause 19 (3) provides that all his interest in the land which he does not dispose of to P. is to be treated as retained by him.

There is a proviso to clause 19 (1). If X. acquired the land at a time when he was neither a builder nor associated with one, then the computation of profit is modified. Instead of taking the actual cost of the land, one takes its market value as at the time when, after having acquired the land, X. becomes a builder or becomes associated with a builder. This proviso is, no doubt, intended to reduce the Case VI liability, but it could have the opposite effect. Why not, then, say 'cost or market value, whichever is the higher?'

Item (*a*) above is reasonably straightforward. Item (*b*) is less so. No definition is given of 'in connection with', but clause 19 (2) contains a deeming provision. Land is to be deemed to be acquired 'in connection with a contract for the erection of a building' if:

(i) the building contract is entered into 'before or on the same day as the contract for the acquisition of the land'; or

(ii) the land acquisition contract is either:

(*a*) subject to any condition or stipulation for the building to be erected on terms provided for in the condition or stipulation; or

(*b*) made in pursuance of any arrangement for the building to be erected on terms provided for by the arrangement.

If the land is acquired with a view to, or in connection with, the erection of a building (not with a *contract* for the erection), then clause 19 (2) is to apply notwithstanding that the person contracting with B. is different from the person acquiring the land. In other words, the fact that P.'s role is performed by two different persons (one acquiring the land and the other causing the building to be erected) does not prevent the acquisition of the land from being 'in connection with' the building contract. The clause gives no definition of the phrase 'acquired with a view to or in connection with the erection of the building'.

Thus, a prerequisite of X.'s liability under the clause is that he be 'associated with' B. Clause 19 (4) sets out the somewhat bewildering tests which have to be applied to establish this. As these bear a close resemblance to the ones which apply to the definition of the same phrase in clause 19 and which are contained in paragraph 18 of the Ninth Schedule to the Bill, the tests are not examined in detail here. Clause 19 (5) throws in a further test. X. is to be deemed to be associated with B. in relation to a building contract (connected with which P. acquires the land from X.) if B. enters into the contract 'in pursuance of any reciprocal arrangement between' either:

(i) X. on the one hand and a person (whom we call A.) on the other hand with whom B. is associated; or

(ii) X. and A. on the one hand and other persons on the other hand.

Clause 19 is excluded if either (*a*) the building contract or (*b*) the land acquisition contract was entered into before April 10th, 1962. If X. is carrying on a trade or business chargeable to profits tax, the clause 19 income will be added to the chargeable profit.

Companies Report

THE outstanding fact in the *Companies General Annual Report by the Board of Trade for 1961*,[1] published on Monday, is that for the first time since the recession year of 1952 there was actually a decline in the number of new companies registered. The drop was not great, from 34,312 in 1960 to 33,645. Moreover, although there was an increase in the number of companies dissolved or struck off the register, the figure was only 10,255, so that the net increase in the number of companies on the register was over 20,000, bringing the total number to over 416,000. Although some 400,000 of these are private companies, they have a much smaller aggregate paid-up share capital than the public companies; the total is £7,612 million, of which the private companies account for £2,733 million. Although the number of public companies with a share capital at the end of 1961 had declined further by 124 to 10,682, their total paid up capital had increased by £153 million.

How are names found for all these companies? The indications are that the trend towards fantastic or fanciful names must inevitably be accelerated. The Board of Trade refused to sanction 21,359 names during the year; 91 per cent of the refusals being on the ground of similarity with names already on the registers.

Some 80 per cent of private companies have filed the certificates required of exempt private companies. The report points out that the number of companies actually qualifying as exempt is greater, since there is, of course, a time lag between the formation of a company and the time for rendering its annual return. The report draws attention to the two reported cases where claim for exemption status was rejected by the High Court and the Court of Appeal.

During 1961, the Board of Trade gave authority to ninety-eight persons to be appointed as auditors of non-exempt companies notwithstanding that these persons were not members of any of the accountancy bodies recognized by the Board. Sixty-three of these persons had similar qualifications obtained outside the United Kingdom; nineteen were regarded as having obtained adequate knowledge and experience in the course of employment by a member of a recognized body; and the remaining sixteen were authorized on the ground that they were in practice as accountants in Great Britain before August 6th, 1947. The total number of authorized auditors, not being members of any of the recognized bodies, is now 1,045; the three categories number 567, 112 and 366, respectively.

Section 159 (3) of the Companies Act, 1948, provides that where at an annual general meeting no auditors are appointed or reappointed, the Board of Trade may appoint a person to fill the vacancy. In 1961 the Board received five applications to appoint auditors under the subsection, which were added to the two applications outstanding at the beginning of the year. One was outstanding at the end of the year, one was not proceeded with, and in the remaining five cases the Board appointed auditors.

The number of creditors' petitions for compulsory winding-up increased in 1961 from 757 to 876. These two years have both been record years for a long time; even in 1952 there were only 634 creditors' petitions. During 1961 the Courts made 612 winding-up orders. Not since 1955 has has any order been made for winding-up subject to the supervision of the Court. In the last ten years there have been only five such orders. Liquidations begun in 1961 totalled 4,689. Of the 4,077 voluntary liquidations, 2,843 were members' voluntary liquidations. These are the figures for England and Wales. In Scotland the liquidations begun in 1961 were 275 in number; 19 being compulsory.

Bearing in mind the manner in which the Companies Act, 1948, bristles with penalty sections and the total number of companies which are subject to those penalties, the number of prosecutions under the Act continues to be remarkably small. The total was only 690; 652 being for failure to render annual returns. Next in number were prosecutions for failure to keep proper books of account prior to winding-up. Ten undischarged bankrupts were prosecuted for being concerned in the management of companies. A remarkably large number of prosecutions were dismissed, although in many cases this was because the summons was withdrawn.

[1] H.M.S.O. 2s net.

Double Tax Relief Claims Without Tears

by FÉLICE V. SLADE, A.C.A.

A 'TOOL KIT' that will greatly facilitate the computation of double tax relief on overseas dividends can be built up from the following publications:

	Price
Forms No. 86c (obtainable from H.M. Inspectors of Taxes) ..	Free
Tables of Effective Rates of Income Tax (published by H.M. Stationery Office)	1*s* 3*d*
Supplement to the Stock Exchange Weekly Official Intelligence – Relief from United Kingdom Income Tax on Dividends of Overseas Companies (published in January and July by the Share and Loan Department of the Stock Exchange)	1*s* postage 6*d*
Tables of Tax on Net Income (published by H.M. Stationery Office)	£1

Forms No. 86c are printed in duplicate so that copies may be taken and they are designed for much of the calculation to be done in totals. This results in a considerable saving in the amount of time spent on the claim by the tax clerk and by the typist. The layout is equally suitable for double tax and unilateral relief claims and for, say, Canadian and South African dividends, from which the tax deducted at source is calculated differently.

The *Tables of Effective Rates of Income Tax* minimize the time taken to calculate an individual's income tax rate, but the effective rate of surtax must still be calculated separately. The tables for 1959–60 remain applicable for 1961–62.

The *Supplement to the Stock Exchange Weekly Official Intelligence* is indispensable for ascertaining the companies' rates of overseas tax. If a particular company is not included in the supplement, application for details should be made to H.M. Inspector of Foreign Dividends, Lynwood Road, Thames Ditton (Telephone: Emberbrook 4141, extension 89).

The most valuable item in the 'tool kit', in more senses than one, is the book of tables for grossing at various rates from 1*d* to 12*s* 6*d* (in 1*d* stages). These tables show the tax which must be added to any net amount to arrive at the gross equivalent at the selected rate – the net income is shown as fractions of £1, in £1 steps from £1 to £200 and in stages thereafter up to £10,000.

For illustration let us take two dividends from, say, a Canadian and a South African company and compute, step by step, the double tax and unilateral relief, respectively. The dividend vouchers are assumed to show the following details:

CANADA LTD
600 Common Shares

	£ *s* *d*
Dividend declared	76 6 8
Less 15 per cent withholding tax ..	11 9 2
	64 17 6
Less United Kingdom income tax at 4*s* 9*d* on £76 6*s* 8*d*	18 1 4
Amount credited	£46 16 2

SOUTH AFRICA LTD

	s *d*		£ *s* *d*
400 Shares – Amount of warrant			£38 13 0
Amount of dividend in British currency ..	2 9	per share	55 0 0
Less South African non-resident shareholders' tax at 1*s* 6*d* in the £ ..	2·475	,,	4 2 6
	2 6·525	,,	50 17 6
Less United Kingdom income tax at 3*s* 10·5*d* in the £ on the gross amount of the dividend of 3*s* 1·8605*d* per share (£63 2*s*) ..	7·3355	,,	12 4 6
	1 11·1895	,,	£38 13 0

The figures shown in the block and in brackets for the South African dividend are obtainable from the back of the voucher.

Let it be assumed that the client's surtax computation for 1960–61 reads as follows:

	£	£
Director – as assessed to income tax, 1960–61		3,681
Untaxed interest – as assessed to income tax, 1960–61		264
Property (net annual value £144 less maintenance relief £104)		40
Taxed dividends:		
Self – as returned		3,781
Wife – as returned		2,019
		9,785
Charges and deductions:		
Farm loss – section 341 ..	£985	
Personal allowance (less £140)	100	
		1,085
Income chargeable to surtax		£8,700
Surtax payable		£1,700

Turning next to Form No. 86c, Part I, 'Calculation of Effective Rate' (Figure 1) is designed so that a detailed calculation may be made, but if the *Tables of Effective Rates* are to be used it is unnecessary to calculate the total income tax liability and to divide it by the net income. Furthermore, in surtax cases one really need insert only the total of the gross income, charges and personal allowances (including earned income relief but excluding life assurance relief). From the resultant 'taxable income' the income tax effective rate can be ascertained from the *Tables*.

The gross income and charges may be taken direct from the surtax computation but in that event one should be careful to bring the total income for surtax into line with the total income for income tax purposes, i.e. to exclude any building society interest or exempt Post Office interest received, to add back any personal allowances deducted for surtax and to deduct any covenanted payments that may have been disallowed for surtax.

To ascertain the effective rate of income tax from the tables it is necessary first to find the column appropriate to the amount of the taxpayer's personal allowances (including earned income relief but excluding life assurance relief) – in the illustration £839, i.e. personal allowance £240 plus earned income relief £599. In that column one must find the figure of taxable income which is equal to or next *above* the amount of the taxable income shown in Part 1 and the line on which this figure appears indicates the required effective rate.

A part of page 11 of the *Tables* is illustrated at Figure 2 showing how the effective rate of 6*s* 11*d* in the example was arrived at, £8,055 taxable income being nearest to the actual taxable income of £7,961.

The surtax effective rate, calculated simply by dividing the surtax liability by the amount of the assessment, is then added to give the total effective rate.

Parts II to IV of Form 86c together are illustrated at Figure 3 and the following com-

Figure 1

I. CALCULATION OF EFFECTIVE RATE

(1) **Income Tax**	£	Tax on taxable income—	£	s	d
Overseas Income (including Direct Tax) ..		£..... at s d ..			
United Kingdom taxed income		£..... at s d ..			
Schedules A and B (net after Maintenance Relief etc.)		£..... at s d ..			
Schedule D (net after Capital allowances etc.)		£..... at s d ..			
Schedule E (net after Expenses, Superannuation)					
Other income (excluding Building Society Interest)		(D) Total Income Tax			
Gross Income	9,785	(E) Income Tax Effective Rate per Tables		6	11
Less Charges (to the extent not covered by B.S.I. received), Losses (section 341, Income Tax Act, 1952)	985	(2) **Surtax** (F) Total income for Surtax £8,700			
(A) Net income	8,800	(G) Surtax on (F) £1,700			
(B) Less Personal Allowances (excluding Life insurance) (P.A. £240+E.I.R. (on £2,696) £599)	839	(H) Surtax Effective Rate ((G)÷(F)) ..		3	11
(C) Taxable income	7,961	(J) Total Effective Rate ((E)+(H))		10	10

Figure 2

EFFECTIVE RATES – INCOME TAX, 1959–60

Personal allowances (including earned income allowance)								Effective Rate
£680–709	£710–739	£740–769	£770–809	£810–849	£850–889	£890–929	£930–969	
Taxable income								
£	£	£	£	£	£	£	£	s d
4788	4957	5127	5296	5522	5747	5973	6199	6 7
5209	5393	5578	5763	6009	6255	6501	6747	6 8
5700	5902	6105	6307	6577	6847	7117	7387	6 9
6280	6503	6727	6950	7249	7547	7845	8143	6 10
6976	7225	7474	7723	→ 8055 ←	8387	8719	9051	→ 6 11 ←
7826	8106	8386	8666	9040	9413	9786	10160	7 0 •

Figure 3

II. SUMMARY OF OVERSEAS DIVIDENDS

Source and Overseas Country	Overseas Rate inclusive of Direct Tax (K)			Dividend declared less Overseas Direct Tax (L)			Tax credit, i.e. tax addition when (L) grossed at the smaller of (i) Effective Rate, or (ii) Rate in (K) (M)			Gross United Kingdom income ((L)+(M)) (N)			United Kingdom Tax deducted from Dividend (O)			Paying Agent's gross (*To be completed in Surtax cases only*) (P)		
	s	d	£	s	d	£	s	d	£	s	d	£	s	d	£	s	d
Canada Ltd	10	11	64	17	6	76	13	6	141	11	0	18	1	4	76	6	8
South Africa Ltd	7	1	50	17	6	27	18	0	78	15	6	12	4	6	63	2	0
Note. If there is insufficient space above, continue overleaf and bring back the totals into the summary above.				TOTALS		104	11	6	220	6	6	30	5	10	139	8	8

III. CALCULATION OF RELIEF

	£	s	d
(Q) U.K.I.T. on (N) at taxpayer's highest personal rate(s)– £220 at 7s 9d .. .. .. £ at s d	85	5	0
(R) Less tax credit (amount at (M)) ..	104	11	6
(S) Net U.K.I.T. ((Q)–(R))	– 19	6	6
(T) U.K.I.T. deducted (amount at (O)) ..	30	5	10
(U) Relief due ((T)–(S))	49	12	4
or (W) Relief overallowed ((S)–(T)) ..			

IV. CALCULATION OF ADDITIONAL SURTAX

Gross U.K. income (amount at (N)) ..	£220	
Amount on which Surtax charged (amount at (P))	£139	
Additional Surtax on	£ 81	
at 7s 6d	£ 30	7s 6d

ments may be added to the explanatory column headings in Part II, the 'Summary of Overseas Dividends':

(1) The rate at (K) is taken from the *Stock Exchange Supplement* where, except in the case of Australian dividends, it is quoted inclusive of any direct tax deducted at source.

(2) The figure at (L) is the amount of the dividend after deduction of any withholding or non-resident shareholders' tax etc.

(3) The addition at (M) is obtained from the grossing tables and in the illustration the Canada Ltd dividend has been regrossed at the effective rate (10*s* 10*d*), this being lower than the company's rate (10*s* 11*d*).

(4) In practice the amount to be included at (P) is that which has already been returned (and assessed to surtax).

Any number of dividends can be tabulated in this way – if there is insufficient space the back of the form may be used – and columns (M) to (P) are then totalled.

Turning next to Part III it will be seen that income tax at the taxpayer's highest personal rate on the true gross total (N) is calculated first, the total tax credits (M) are then compared with this amount, leaving an excess due to or by the Inland Revenue and the subtraction (or addition) of the United Kingdom income tax deducted per column (O) gives the income tax relief due (or over-allowed).

In the case of an individual who is not also a surtax payer this ends the calculation but otherwise it remains for Part IV to be completed. This section consists simply of a comparison of the true gross amount (N) with that already returned (P), and the computation of the additional surtax that will arise when the amount of the difference is added to the taxpayer's total income. In practice Inspectors are always willing to deduct any additional surtax from the income tax repayable. In the illustration a net repayment of £19 4*s* 10*d* would be issued in settlement of the claim.

It should be mentioned that where section 201 relief is also due – the appropriate fraction will be found in the *Stock Exchange Supplement* – this relief must be calculated separately to ensure that it does not exceed the tax remaining in charge after credit has been given.

Form No. 86C is not appropriate where age relief or small income relief is due or where relief in respect of losses is set against doubly taxed income, neither is it suitable for dividends in respect of which no relief is due for indirect overseas tax (e.g. non-participating preference dividends).

In cases where a refund of overseas tax is due from the overseas country and/or the overseas rate quoted excludes direct tax, for example in cases of Australian dividends from which withholding tax has been deducted, Form 86D should be used instead, but space does not permit of its illustration here.

Sickness and Accident Policies

Insuring for Income during Incapacity

CONTRIBUTED

MAKING financial provision for the future of one's family in the event of the unexpected happening often takes the form of a fairly substantial endowment or whole-life assurance policy, to which may be added income benefits while the children are at school. What should be faced, however, is that one may not die, but because of accident or sickness, may either be away from work for a long stretch or be compelled to retire at an early age. The professional practice may not be able to support one in such circumstances; nor would there be any joy from the life policy, for the annual premiums will still have to be paid.

Supplementary to Life Policy

On this basis, therefore, it is sensible to have a sickness and accident policy which will be supplementary to a life policy, and which will provide a reasonable income whilst the incapacity lasts – even though it could be for the rest of one's expected working life.

The normal accident and sickness policy on the market does not cater for the long-term or permanent disability. Usually the weekly benefits payable are limited to about two years (though there may be a lump sum for total disablement). Of equal importance is the fact that the policy is an annual contract. Dependent on experience

throughout the policy period insurers may either refuse to renew, or impose conditions – either in the form of a higher premium or (more likely) the exclusion of claims arising from certain causes. Good as this form of policy may be for the short-term view (especially for a man whose income may cease immediately he is off work), it has its disadvantages so far as long-term planning is concerned.

This is where permanent sickness and accident insurance comes into its own. Once the insurance is in force, only the person insured has the option to let it lapse. One can hold the insurance company to continuing the cover irrespective of claims experience. If a serious illness or accident keeps one away from work, the insurance company will pay the agreed weekly compensation until the age of 65, or earlier planned retirement date.

Benefit and Premiums

Since this is long-term insurance, it is not the intention to cover every comparatively minor accident or illness. For that reason it is not usual for claims to be paid until after four weeks of incapacity, and this is reasonable enough. The premium will be even cheaper if the period of deferment before payment begins can be raised to thirteen or twenty-six weeks. Where a sick pay scheme exists, the actual period should, however, tie in with the period adopted by the firm for continuing payment during prolonged illness.

The other point which will have to be determined is for how much the benefit should be. Generally speaking, insurers are reluctant to issue policies which will give a benefit (together with that provided by any existing insurances) in excess of three-quarters of one's normal earnings. And the maximum amount of benefit may be limited to £50 a week.

In the case of a thirteen-week deferment, the premium for benefit of £20 a week for a man aged 35 is likely to be less than £25 per annum.

Clearly, however, the insured amount should be raised to keep in step with increases in income. In this case, however, the additional insured sums will not be accepted automatically – for in practice they constitute a fresh contract. Provided, however, that there are no medical complications, no difficulties should arise.

Tax Aspect

Since there is no insurance against death, the premiums do not qualify for any income tax relief. In the present circumstances, however, it is the practice of the Inland Revenue not to assess any benefit under this form of insurance for income tax purposes until it has been received continuously for a full fiscal year. Depending, therefore, on the time of year when the incapacity started and the deferment period, an illness or accident may have to continue for considerably more than a year before the benefits become taxable.

Besides the obvious advantages to principals – especially in small practices – in many cases a firm may wish to take out this form of insurance for the benefit of employees, feeling not only that there is, to some extent, a moral obligation to provide some compensation for an employee, but also because this will be a really useful 'fringe benefit' to retain the services of valuable members of the staff.

Here again, the benefits (plus National Insurance payments) should not exceed three-quarters of the person's earnings. It is common for a firm to run the risk itself for the first six months. Often, therefore, in an office where the *average* age is 35, the total cost may be no more than 1 per cent of the salary roll. The premiums can be treated as a normal business expense for tax purposes.

Some insurers will extend all their policies so that, on payment of a small additional premium, the full premium is waived whilst benefit is being paid. Others waive the premium automatically as a matter of course.

Advice to Clients

Although charity begins at home, and the rates and conditions mentioned apply specifically to certain professions including accountants, if and when clients ask for advice on making provision for the future there is no doubt that thought should be given to this form of insurance. If the rates seem on the high side, it should be remembered that it is a permanent contract which can continue until the age of 65, or earlier death, in the event of a long illness or incapacity following an accident.

As a grim reminder of what does happen, statistics show that, in any year, one out of every fifty men (whose ages range from the late 20s to 65) will be forced to stop work for three months or more. This form of insurance does, therefore, offer any professional person one way of maintaining a family, irrespective of how long he may be off work on doctor's orders.

Weekly Notes

THE INSTITUTE'S NEW PRESIDENT

MR PERCY FREDERICK CARPENTER, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales in 1961–62 was elected President of the Institute for the ensuing year at last Wednesday's meeting of the Council.

Mr Carpenter, who was educated at St Marylebone Grammar School, is senior partner in the firm of W. B. Keen & Co, of London, where he was articled to the late J. B. Reeves. He took First Place in the Intermediate Examination in 1920, qualified in 1923, and became a partner in the firm in 1929. Aged 60, he is the second son of the late F. J. Carpenter who was also a partner in the firm until his death in 1930. Mr Carpenter was elected a Fellow of the Institute in March 1934.

Since his election to the Council of the Institute in February 1947, Mr Carpenter has served on most of its committees and has been Chairman of the Examination Committee (1957–61), Library Committee (1954–57), and the Summer Course Committee (1957–61). He received special commendation for his work as a member of the Planning Committee in 1951. Articled clerks and their training are of particular interest to Mr Carpenter; he served on the Articled Clerks Committee from February 1954 to June 1961, and was a member of the Education and Training Committee, and the Committee on Relations with the Universities (as P. D. Leake Committee representative).

He was a member of the Taxation and Research Committee from 1951 to 1956, and gave evidence before the Mocatta Committee on the Endorsement of Cheques. He was the first Chairman of the London and District Society of Chartered Accountants in 1943–44.

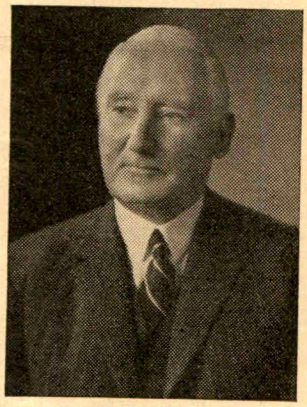
Mr Carpenter's public service includes that as an advisory accountant to the Railway Assessment Authority; as a member of the Palmer Committee on Prices of Building Materials in 1947; and as a member of the Joint Committee for the Award of National Certificates in Business Studies. He is a Fellow of the Institute of Arbitrators and of the Royal Statistical Society, and an Honorary Fellow of the Zoological Society of London.

A member of the City of London Special Constabulary from March 1939 to 1949, Mr Carpenter is a freeman of the City and Under-Warden of the Guild of Freemen. He is also a member of the Court of Assistants of the Worshipful Company of Loriners, a liveryman of the Worshipful Company of the Makers of Playing Cards and a Governor of the City of London College.

A reproduction of a recent portrait of the new President in included as a supplement with this issue.

THE NEW VICE-PRESIDENT

THE new Vice-President of the Institute is Mr Robert Pearson Winter, C.B.E., M.C., T.D., D.L., F.C.A., a partner in the firm of Winter, Robinson, Sisson & Benson, Chartered Accountants, of Newcastle upon Tyne. Born at Tynemouth in 1897, he was educated at Mill Hill School and was articled to his father the late R. P. Winter in 1914. He was admitted to membership of the Institute in 1921, becoming a partner in his firm the same year; he was elected to fellowship in 1928.



Mr R. P. Winter

Mr Winter was elected to the Council of the Institute in April 1952 and has served on the Applications Committee (chairman July 1959 to date), District Societies, Library, Disciplinary and General Purposes Committees. He was President of the Northern Society of Chartered Accountants in 1940–42 and again in 1951.

Mr Winter has had distinguished service with the Territorial Army. He was commissioned in the Royal Engineers (T.A.) in 1915, serving throughout the First World War and was awarded the Military Cross in 1918. Since 1934 he has been a member of the Territorial and Auxiliary Forces Association of Northumberland and holds the Territorial Decoration. From 1934 to 1938 he commanded a regiment of Royal Engineers (T.A.), and served on the staff from 1939–42. He was Honorary Colonel of the Tyne Electrical Engineers (T.A.) from 1952–60 and was appointed a Deputy Lieutenant for Northumberland in October 1953.

Appointed a C.B.E. in the Birthday Honours in 1958 for services with the Northumberland Territorial and Auxiliary Forces Association and other work in the county, Mr Winter is also connected with a number of charities in the City and County of Newcastle upon Tyne, being chairman of the Finance Committee of the North of England Council of the British Empire Cancer Campaign, and until 1961, vice-chairman of the Northumberland County Association of Boys' Clubs.

BIRTHDAY HONOURS

WE have pleasure in tendering our congratulations to members of the profession whose names appear in the Birthday Honours List.

The profession is well represented in the list. Among the Knights Bachelor are two chartered accountants: Mr W. H. Lawson, C.B.E., B.A., F.C.A., senior partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, who is a member of the Council and a Past President of The Institute of Chartered Accountants in England and Wales; and Mr William Watson, C.A., Treasurer, The Bank of Scotland.

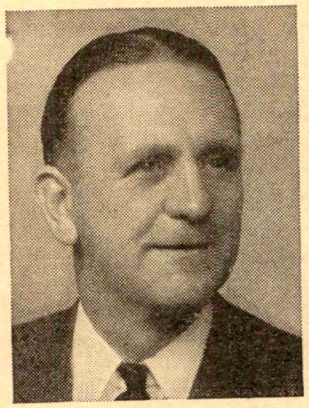
Four members of the profession receive the C.B.E.: they are Mr W. Hayhurst, F.S.A.A., F.I.M.T.A., City Treasurer of Westminster; Alderman O. S. Holmes, F.C.A., senior partner in the firm of Holmes & Bailey, Chartered Accountants, of Sheffield, for public services in Sheffield; Mr Ernest Long, F.S.A.A., F.I.M.T.A., F.C.I.S., Member of the Central Electricity Generating Board, a former Secretary of The Institute of Municipal Treasurers and Accountants, and a Past President and a member of the Council of The Chartered Institute of Secretaries; and Mr A. Stewart, C.A., F.C.W.A., F.C.I.S., director and general manager, Huddersfield Building Society.

The O.B.E. is awarded to Mr G. L. Bellhouse, F.C.A., senior partner, Barber, Bellhouse & Co, Chartered Accountants, of Nakuru, Kenya, for public services in Kenya; Mr H. G. Pinner, J.P., F.C.A., senior partner in the firm of Pinner, Darlington & Co, Chartered Accountants, of Birmingham, for political and public services in Smethwick; and to Mr L. F. Smale, F.I.M.T.A., City Treasurer, Lusaka, Northern Rhodesia.

The M.B.E. is awarded to three members of the profession for their work for the National Savings Movement. They are: Mr P. Fleming, F.S.A.A., F.I.M.T.A., Treasurer, Long Eaton Urban District Council; Mr W. A. C. Roope, F.I.M.T.A., Borough Treasurer, Port Talbot; and Mr T. Shaw, F.C.A., F.I.M.T.A., Borough Treasurer, Southall Borough Council.

MUNICIPAL TREASURERS' NEW PRESIDENT

MR NORMAN DOODSON, F.S.A.A., F.I.M.T.A., County Treasurer of Lancashire, last week was installed as President of The Institute of Municipal Treasurers and Accountants at the annual conference of the Institute held in Edinburgh.



Mr Norman Doodson

Mr Doodson, who was born in 1909, was admitted to membership of The Institute of Municipal Treasurers and Accountants in 1933 and became a member of the former Society of Incorporated Accountants in 1936. He started his career in local government at Farnworth, Lancashire, and later served with local authorities in Glamorgan, Kent, and Surrey. He was appointed Deputy County Treasurer of Lancashire in 1947 and became County Treasurer in 1951.

Mr Doodson was elected to the Council of The Institute of Municipal Treasurers and Accountants in 1955 and was chairman of the research group set up by the Institute on local authority borrowing; the findings of the group were later published in book form. Mr Doodson is a Past President of the Society of County Treasurers.

The new Vice-President of the Institute is Mr G. C. Jones, F.I.M.T.A., Borough Treasurer of Reading.

Mr W. H. Lawson
Knight Bachelor

Mr William Watson
Knight Bachelor

Mr Ernest Long
C.B.E.

JENKINS REPORT LOOMS NEARER

THE Jenkins Report on Company Law has been finished and is now in the hands of Mr Erroll, President of the Board of Trade. It is doubtless a lengthy document and is expected to be published later in the summer, probably next month. There is a feeling that the report will not be favourable to non-voting ordinary shares although presumably existing shares of that category will be given a modified blessing. It is evident that the provisions as to the qualification for exempt private company status, and possibly even the status itself, are in the melting pot. The present rules have been found to work harshly in some cases. On the other hand, opinion is growing that anyone who seeks the great boon of limited liability ought to be happy to file annual accounts as some return. Take-over bids were very much in the news when the Committee was taking evidence and it will be surprising if the report does not contain recommendations for a change in the relevant law. We can perhaps look also to some change in the law concerning unit trusts.

EASIER DEPOSITS FOR BANKS AND PUBLIC

IN little over a week there has been a relaxation in the special bank deposits required by the Bank of England and a cut in hire-purchase deposits. Special deposits have been required since July 1961. In the case of the London clearing banks the special deposit ratio was 3 per cent of gross deposits; it was reduced on June 1st to 2 per cent. The ratio for Scottish banks was 1½ per cent of gross deposits; now it is 1 per cent.

The total of special deposits so released will be about £77 million, half to be returned on June 12th and the remainder on June 18th. The effect of this increase in the banks' liquidity is likely to be significant on their lending policy. In theory about three times as much credit could be created as the total of special deposits released, but the Bank of England has indicated that it will permit only a slight relaxation in lending policy.

At the same time it was announced that a further repayment of £25 million was to be made to the International Monetary Fund in a mixed selection of foreign currency including United States dollars. This is the fifth repayment since the loan was negotiated in August 1961 and brings the total outstanding down to £229 million, just under half the original loan.

The stimulus which the return of the special deposits was calculated to give, assisted by the further repayment to the I.M.F., was reinforced on Monday when minimum hire-purchase deposits on all goods except cars was reduced from 20 to 10 per cent. It is apparent that the trend in the fall of hire-purchase debt and the comparative sluggishness of consumer spending (doubtless assisted by a long winter and a non-existent spring) has decided the Government that the rate of expansion in the economy since the Budget is turning out to be more sluggish than was expected. The announcement of the fall in deposits on a wide range of consumer durable goods coincided, however, with a further slide in prices on Wall Street. The relaxations are therefore taking place at a time of acute unsettled economic weather and by no means assure the economy of a sudden upsurge of activity.

CLEARING UP THE BACK DUTY MUDDLE

LAST week, the Attorney-General introduced a new clause in the House of Commons for insertion in the Finance Bill. It is intended to cure the drafting deficiencies of Part III of the Finance Act, 1960, which introduced a new back duty code. He referred to the case of *ex parte Fysh* which established that interest could not be claimed on tax in assessments made before the 1960 Finance Act was made law. He also went on to admit that it was arguable whether that Act was effective to impose penalties for acts committed before 1960. He said that the Revenue might win if they appealed against their defeat in the *Fysh* case but it was preferable to alter the law.

The Minister revealed a remarkable state of affairs. He said that since the 1960 Act was passed, many thousands of back duty settlements had been agreed, involving over £30 million. Presumably none of these taxpayers, or their advisers, took the point that the drafting of the 1960 Act was ineffective. All too often the Revenue's *ex cathedra* statements as to the meaning of the Income Tax Acts, are accepted with a docility which can sometimes involve a taxpayer in payments which he need never have made.

ACCOUNTANTS IN DEMAND

THE quarterly review of the M.S.L. Index indicates an increased demand for executive staff in the first quarter of 1962. After a period of comparative stability for nine months the Index moved significantly forward, and the improvement is reflected in each of the six individual categories recorded. It will be recalled that the Index is a record of the demand for executives in Great Britain measured by the advertisements published in certain newspapers and journals.

Comparing the first quarter of this year with the last quarter of 1961, the biggest increases in demand were for general management at 48 per cent, production 43 per cent and accounting 40 per cent. If a comparison is made with the first quarter of 1961, accounting shows the biggest rate of increase.

It is perhaps a comment on the natural but somewhat illogical reaction of companies to harder times, that the smallest increase in advertisement was in sales. They were up only 13 per cent on the quarter and not at all on the year. Logically, one would expect the demand for top-level sales executives to increase when times are difficult and profits are falling but it is more likely that the typical concern makes substantial investments in sales management when times are getting better.

CONFIDENCE IN ATLANTIC SHIPPING

SIR JOHN BROCKLEBANK, chairman of the Cunard Steam-ship Co Ltd, has told shareholders with his company's latest accounts that tenders have gone out to build four new cargo ships for the North Atlantic route at a cost of £4 million. In addition there is to be much more flexible handling of the passenger fleet. The three medium-sized North Atlantic ships are to be refitted to make them suitable for service in warmer climates and the *Queen Elizabeth* is to do some cruising early in 1963. These changes, and there are one or two others contemplated for the fleet, are the company's reaction to the intense and increasingly seasonal competition on the North Atlantic sea route.

A major internal management change is for the board to divest itself of day-to-day operations of the fleet and to hand these over to a management company. There is also to be a further reduction in the size of the board which will now number thirteen directors compared with twenty-two a few years ago.

Cunard is thus determined to stay firmly entrenched in the North Atlantic shipping trade. It is of interest, however, that the impact of technical change, taking the form particularly of competition from jet aircraft, is recommending a streamlining of the organization and the reorientation of senior management to conform more to textbook ideas on the functions of a board and top management rather than certain traditions of the shipping industry.

This is My Life . . .

by An Industrious Accountant

CHAPTER 127

IT'S remarkable how one's chickens come home to roost. Nearly a year ago a lady consulted me about a career for her shy seventeen-year-old son and needless to say I sold accountancy in a big way. Accountants, I explained with due modesty, were the *élite* of the industrial world. They were the brains behind the balance sheets, the spirit behind the sales drive, the enterprise that sparked off the expansion. They were also the ensurers of industrial ethics; they guarded jealously the honesty and integrity of their clients and insisted on scrupulous observance of the highest moral principles.

It was rather an impressive effort, I felt: the ablest public relations officer need not have blushed for it. Shy son gazed with wondering eyes, a new hero mounting the pedestal formerly occupied by Coeur-de-Lion, Wyatt Earp, Bradman or Hillary. His future destiny was chosen there and then.

Mother was converted also. She, too, relegated the Civil Service, the law and journalism to immediate obscurity. She has an old-fashioned puritanism amounting almost to intolerance about low standards of conduct; she saw her shy son as a Crusader of the modern world. He was articled to one of the partners in our auditor's firm by the month's end.

So I was somewhat shaken last week when she arrived unheralded in my office, blazing with wrath. Her tight-lipped, hard-eyed glare was disconcerting. Her son, she explained hotly, had just been sent on his first 'away' audit to a little village too remote for him to return home at week-ends, where the amenities were scarcely even primitive. His senior deserted him basely in the evenings, staying with relations nearby. Her sheltered boy was not only lonely and miserable, but also exposed to temptations hitherto unknown . . . the public-house, if not worse. For a moment the Demon Rum and the Scarlet Woman hovered behind her shoulders.

My first defences were breached early. Neither TV nor the local cinema, she retorted, could adequately entertain her intellectual son, nor was he the frivolous type to patronize the jazz-ridden barbarism of a strident rural dance hall. True, he could study for his coming exams, and doubtless the poor dear boy was exhausting himself in this strenuous pursuit, but surely not every night. He needed some suitable social outlet.

Remembering my own early efforts to read mercantile law while away, in dim-lit bedrooms or noisy lounges, I could agree with this viewpoint. However, I rallied to remind her that shy son was now nearly eighteen; he was mature enough to extend his experience; this audit would widen his horizon. It all went to make up life; he must see more of the world than the city or the domestic suburb. To these unctuous platitudes I added a jovial reference to apron-strings and the birds leaving the nest, and to limits of a principal's responsibility.

It was a blunder. She drew herself up stiffly and reminded me that the principal should stand in *loco parentis* to the unsophisticated youngsters articled to him. It was his moral duty to protect their welfare. Thrusting them unfledged into the midst of drunken tavern brawls was scarcely a loving father's part. A tear glistened in her eye; I felt abashed. I thought of days when I, too, wandered dispiritedly the damp and dismal streets of strange towns ignored by our clients, disregarded by my principal. Maybe something more is owed to our young auditors far from home; maybe insidious vice lurks in wait all unsuspected; maybe decades of thoughtless senior partners have failed in their bounden duty. Perhaps the drift from the profession to industry is due to the lonely years and lost illusions of apprenticeship. Perhaps the green audit pencil rests above an aching heart.

It seemed hardly fair to tell her that not-so-shy son had just phoned me to say he was having a smashing time and please could he borrow a fiver.

Finance and Commerce

Changed Basis

THE accounts of The Limmer & Trinidad Lake Asphalt Co Ltd which are the subject of this week's reprint are marked by a change in the basis for computing the provision for maintenance of work. The group is best known for road and airfield surfacing and civil engineering work, and the change in the computation for maintenance has had the effect of increasing the trading surplus by £122,378.

The total amount provided is carried in the balance sheet under current liabilities (£610,066) and Sir John Hathorn Hall, the chairman, expresses the board's satisfaction that the amount is adequate to meet the liabilities for maintenance. Negotiations are in progress with the Inland Revenue regarding taxation consequences arising from the changed basis. Sir John draws attention to the fact that after discounting in full the increased profit resulting from the change in accounting procedure, 1961 profits improved on the group's 1960 record by 6 per cent.

Sir John refers to 'highly competitive conditions' in which there is no place for facile success. He provides a chart showing that profits have not kept in step with increasing turnover; in effect, it has been necessary to take on an increased amount of work at a 'significantly lower level of profitability'. 'Indeed,' he says, 'it might almost be said that our record results for 1961 were achieved despite, and not because of, our participation in the construction of Britain's much-needed new motorways.'

Cover against Default

With these accounts, Sir John continues a subject he raised last year in connection with the financial failure of a main contractor. In road construction work, Limmer & Trinidad, more likely than not, is likely to find itself in the position of subcontractor to a main contractor instead of directly for the employing authorities. In the 1960 experience, Sir John then said, 'the group has almost certainly incurred a bad debt in excess of £50,000 which it has been necessary to write off in the accounts under review'. This, despite the fact that the main contractor had already been paid by the employing authorities.

This year Sir John says: 'The obvious safeguard, which we had assumed would be open to us, of securing from the customary credit insurance sources cover against default on the part of main contractors has, on investigation, proved to be ineffectual. In the case of a number of contracting firms, accepted by ministries and public departments as suitable to undertake large public contracts, full insurance cover against default cannot, we find, be secured at any cost. Such cover is in practice only available in respect of firms of obviously unassailable financial strength.'

It is indeed a frustrating position for those who, as subcontractors on road construction, have carried out their part of the work satisfactorily and there would seem to be good reason for an overhaul of the whole contracting system.

Completion Bond

Employing authorities, says Sir John, no doubt do their best to ensure that only firms with the necessary resources are awarded large contracts, but they are naturally reluctant to expose themselves to criticism by excluding reputable firms from their tender list, or by rejecting the lowest tender, because of doubts of financial capacity which often cannot readily be substantiated.

But there is, he continues, a less distasteful and more effective alternative course open to them and one that would involve them in no invidious choice. In the U.S.A. and Canada, to take only two examples, a main contractor tendering for any important work is frequently required to put up a completion bond of up to 100 per cent.

Under this procedure, the financial capacity of a contractor is, in effect, professionally appraised by the insurance company invited to underwrite the bond, and by this means, the financially sound are separated from the unsound.

Sir John adds that a further measure of protection to subcontractors, by safeguarding them against unconscionable delay in payment for work completed, could be afforded by extending to all approved subcontractors safeguards similar to those which are at present provided in the standard Institution of Civil Engineers' conditions of contract for 'nominated' subcontractors. Proposals to that end have already been submitted to the appropriate authorities.

Aftermath

THE aftermath of the 'Jasper affair' is long drawn out and the impatience of shareholders in what are now known as the 'Jasper' companies can be appreciated. At recent meetings of three of them, Sir Dingwall Bateson, the chairman, was able to say that negotiations with the State Building Society were nearly complete. Once the position of the companies with the Building Society is established, the way is then open for the directors to get down to work on an inter-company agreement.

Meanwhile, as an instance, there is The Victory Real Estate Co with its suspense account for £444,764 in a September 1960 balance sheet totalling £1,153,985. And this includes £198,900 for 130,000 5s shares in Capital & Provincial News Theatres 'purchased through Harewood & Co where evidence of ownership is not available'. While Capital & Provincial, on the other hand, has £12,011 included

The Limmer & Trinidad Lake Asphalt Company Limited and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR TO 31ST DECEMBER 1961

	1961		1960	
	£	£	£	£
TRADING SURPLUS before Depreciation (*Note 1*)		1,078,570		*856,904*
Add: Income from Trade Investments	10,436		*10,436*	
Income from Other Investments	4,986		*6,194*	
		15,422		*16,630*
		1,093,992		*873,534*
Deduct: Depreciation ..		411,985		*342,555*
PROFIT BEFORE TAXATION		682,007		*530,979*
Deduct: Taxation based on Profit of the Year (*Note 2*)		329,732		*240,272*
PROFIT AFTER TAXATION		352,275		*290,707*
Add: Taxation Adjustment for previous years		7,953		*7,924*
		360,228		*298,631*
Add: Minority Interest in loss of Subsidiary Company		11,204		*5,883*
PROFIT ATTRIBUTABLE TO THE GROUP (*Note 3*)		371,432		*304,514*
Add: Balance brought forward		390,159		*360,000*
		761,591		*664,514*
Deduct: Transfers to General Reserves of Subsidiary Companies		1,782		*2,053*
		759,809		*662,461*
Deduct: Appropriations by Parent Company:				
Interim Dividend of 6 per cent, less Income Tax (*Note 4*) (*1960, 6 per cent*)	73,978		*49,319*	
Proposed Final Dividend of 9 per cent, less Income Tax (*Note 4*) (*1960, 13 per cent*)	110,966		*106,857*	
	184,944		*156,176*	
Amount written off investment in Subsidiary Company	30,000		—	
Transfer to General Reserve	50,000		*100,000*	
Transfer to Pensions Reserve	17,106		*16,126*	
		282,050		*272,302*
BALANCE CARRIED FORWARD				
Parent Company	*73,418*		*71,599*	
Subsidiary Companies	404,341		*318,560*	
		£477,759		*£390,159*

Notes on Consolidated Profit and Loss Account

1 Trading Surplus before Depreciation

In 1961 a change in the basis of computing the provision for maintenance of work has had the effect of increasing the trading surplus by £122,378

	1961	1960
	£	£
2 Taxation based on Profit of the year		
Profits Tax	91,105	*52,259*
Income Tax	214,813	*175,358*
Overseas Taxation	4,174	*1,955*
	310,092	*229,572*
Add: Transfer to Equalisation Account	19,640	*10,700*
	£329,732	*£240,272*

(*a*) In computing the charge for the year, relief of approximately £59,000 has been deducted in respect of investment allowances

(*b*) No provision has been made for further UK Taxation which would only arise on distribution of profits retained by Subsidiary Companies trading overseas

3 Profit attributable to the Group

This includes Profit dealt with in the Accounts of the Parent Company of £283,869 *£234,262*

4 Dividends

The Interim and proposed Final Dividends for 1961 are in respect of Issued Capital increased by the scrip issue of one for two Ordinary Stock units in June 1961

5 Directors' Emoluments

Directors' Fees	5,736	*4,750*
Management Remuneration, including Pension Scheme Contributions	19,028	*29,547*
Pensions of past Managing Directors	2,169	*1,753*
	£26,933	*£36,050*

The Limmer & Trinidad Lake Asphalt Company Limited and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

31ST DECEMBER 1961

	1961 £	1961 £	1960 £	1960 £
FIXED ASSETS (*Note 1*)		2,202,756		*1,926,438*
TRADE INVESTMENTS at Cost, *less* amount written off		73,114		*82,649*
CURRENT ASSETS:				
Stocks	817,188		*744,747*	
Work in Progress, *less* Payments received on account	1,945,673		*1,444,779*	
Debtors	2,734,933		*2,672,341*	
British Government Securities (Market Value £164,404; *1960, £160,524*)	188,315		*188,315*	
Short Term Loan	—		*50,000*	
Cash and Bank Balances	183,411		*179,380*	
	5,869,520		*5,279,562*	
Deduct: **CURRENT LIABILITIES:**				
Bank Loan and Overdrafts	160,498		*35,797*	
Creditors	2,828,666		*2,373,681*	
Provision for Maintenance of Work	610,066		*636,753*	
Taxation	241,946		*183,073*	
Proposed Final Dividend, *less* Income Tax	110,966		*106,857*	
	3,952,142		*3,336,161*	
NET CURRENT ASSETS		1,917,378		*1,943,401*
TOTAL NET ASSETS		£4,193,248		*£3,952,488*
Represented by:				
ISSUED CAPITAL OF THE LIMMER & TRINIDAD LAKE ASPHALT COMPANY LIMITED		2,013,000		*1,342,000*
CAPITAL RESERVES:				
Share Premium Account (*Note 2*)	—		*555,823*	
Reserve arising on Consolidation	54,866		*1,414*	
		54,866		*557,237*
REVENUE RESERVES:				
General Reserve (*Note 3*)	1,206,329		*1,269,724*	
Pensions Reserve (*Note 4*)	100,000		*100,000*	
Unappropriated Profit	477,759		*390,159*	
		1,784,088		*1,759,883*
TOTAL STOCKHOLDERS' INTEREST		3,851,954		*3,659,120*
INTEREST OF MINORITY SHAREHOLDERS		484		*11,688*
FUTURE TAXATION:				
Income Tax	196,174		*156,684*	
Equalisation Account	144,636		*124,996*	
		340,810		*281,680*
		£4,193,248		*£3,952,488*

Notes on Consolidated Balance Sheet

		£ Cost	£ Depreciation	1961 £	1960 £
1	**Fixed Assets**				
	Freehold Land and Buildings	514,114	131,803	382,311	*365,355*
	Leasehold Land and Buildings	172,709	76,913	95,796	*89,212*
	Plant and Machinery	4,371,449	2,646,800	1,724,649	*1,480,871*
		£5,058,272	£2,855,516	£2,202,756	*£1,926,438*

Share Premium Account

The balance at the beginning of the year of £555,823 was applied towards the scrip issue of one for two Ordinary Stock units in June 1961

			1961 £	1960 £
3	**General Reserve**			
	At beginning of year		1,269,724	*1,167,671*
	Add: Transfer from Profit and Loss Account		51,782	*102,053*
			1,321,506	*1,269,724*
	Less: Amount applied towards the scrip issue of one for two Ordinary Stock units in June 1961		115,177	—
	At end of year		£1,206,329	*£1,269,724*
4	**Pensions Reserve**			
	At beginning of year		100,000	*100,00*
	Add: Transfer from Profit and Loss Account		17,106	*16,126*
			117,106	*116,126*
	Deduct: Pensions charged during year	36,492		
	Less: Taxation Relief	19,386		
			17,106	*16,126*
	At end of year		£100,000	*£100,000*
5	**Capital Commitments**			
	Contracts for Capital Expenditure not provided for in these Accounts amount approximately to		£134,000	*£66,000*

6 **Foreign Currencies**

The values of Fixed Assets have been converted into sterling at the rates of exchange ruling at the dates of acquisition, and of Current Assets and Liabilities at the rate ruling on 31st December 1961

in its suspense account for a holding in Victory. But that only touches the fringe of the problem to be unravelled.

Capital & Provincial has £159,445 in suspense for 'moneys applied for the purchase of shares in seventeen companies where evidence of ownership is not available subject to deduction of £94,850 for amounts owing to those companies'.

It is indeed a fantastic story of the results of financial manipulation in which, however, the 'fruit machines' of Temperance Billiard Halls (another Jasper company) provide a touch of humour. The machines have provided an operational surplus which has been retained in the balance sheet. Owing to ambiguities in the 1960 Betting and Gaming Act, the board does not yet know how the surplus can be applied.

Stock Valuation

THE question of overheads on work in progress from the Inland Revenue stock valuation angle is obviously a very important matter to Radiation Ltd, the group that produces heating and cooking appliances. The chairman, Mr F. P. S. Stammers, in his statement with the 1961 accounts, notes, in relation to the reserves, that no use has been made of the stocks obsolescence reserve which was created and has since been maintained at a figure sufficient to eliminate the overhead loading on stocks and work in progress of goods manufactured by the group. He recalls the mention in earlier statements that the loading of overheads on work in progress was brought about by the Inland Revenue's attitude in the matter.

'We wish', says Mr Stammers, 'to revert to the basis of valuing stock and work in progress which has been consistently adopted over thirty-four years. As this problem is not yet resolved with the Inland Revenue, the reserve to which I have referred is being maintained for the time being, and I confirm that it is more than adequate to cover overheads in stock and work in progress at the end of December 1961.' The stocks obsolescence reserve amounts to £400,000.

CITY NOTES

SINCE the Chancellor of the Exchequer stated a month or so ago that the economy would be allowed to take its course for the rest of this year there have been two major economic pump priming moves. Some £78 million of special deposits have been released to the banks and hire-purchase restrictions have been eased.

The first of those moves is probably a more realistic measure than the second – at least, so it is considered in the City. There has been plenty of time for the buying public to get acclimatized to hire-purchase restrictions and the fact that there has been no real spring buying movement this year would seem to result more from the aftermath of a year of two of out-and-out spending than from any considerations of restricted hire-purchase.

But whatever the background to the easier credit moves, they have had singularly little effect on a stock-market – still being regarded with suspicion by big and small investors alike. Thought is clearly being given to the background of last week's sharp changes, rather than to the changes themselves.

The pressure on industrial profit margins is as keen as it ever was, and it will take more than special deposit releases and lower down-payments to ease that position before the end of this year.

RATES AND PRICES

Closing prices, Wednesday, June 6th, 1962

Tax Reserve Certificates: interest rate (28.4.62) $2\frac{3}{4}$%

Bank Rate

Oct. 27, 1960	$5\frac{1}{2}$%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	$5\frac{1}{2}$%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}$%	April 26, 1962	$4\frac{1}{2}$%

Treasury Bills

Mar. 30	£4 8*s* 1·16*d*%	May 4	£4 1*s* 9·72*d*%
April 6	£4 7*s* 4·62*d*%	May 11	£3 19*s* 8·71*d*%
April 13	£4 6*s* 8·54*d*%	May 18	£3 17*s* 1·04*d*%
April 19	£4 5*s* 4·31*d*%	May 25	£3 16*s* 3·81*d*%
April 27	£4 1*s* 0·54*d*%	June 1	£3 15*s* 7·98*d*%

Money Rates

Day to day	$2\frac{7}{8}$–$3\frac{7}{8}$%	*Bank Bills*	
7 days	$2\frac{3}{8}$–$3\frac{7}{8}$%	2 months	$3\frac{15}{16}$–4%
Fine Trade Bills		3 months	$3\frac{15}{16}$–4%
3 months	$5\frac{1}{2}$–6%	4 months	$3\frac{15}{16}$–4%
4 months	$5\frac{1}{2}$–6%	6 months	$3\frac{15}{16}$–$4\frac{1}{16}$%
6 months	$5\frac{3}{4}$–$6\frac{1}{2}$%		

Foreign Exchanges

New York	2·80$\frac{5}{8}$–$\frac{11}{16}$	Frankfurt	11·21–$\frac{1}{4}$
Montreal	3·05$\frac{3}{4}$–·06	Milan	1741$\frac{1}{4}$–$\frac{3}{4}$
Amsterdam	10·08$\frac{1}{2}$–$\frac{3}{4}$	Oslo	20·03$\frac{1}{4}$–$\frac{1}{2}$
Brussels	139·58$\frac{1}{4}$–$\frac{3}{4}$	Paris	13·74$\frac{3}{4}$–·75$\frac{1}{4}$
Copenhagen	19·35$\frac{1}{4}$–$\frac{1}{2}$	Zürich	12·10$\frac{5}{8}$–·11$\frac{1}{4}$

Gilt-edged

Consols 4%	$63\frac{1}{8}$	Funding 3% 59–69	$84\frac{1}{16}$
Consols $2\frac{1}{2}$%	$39\frac{15}{16}$	Savings 3% 60–70	$81\frac{1}{4}$
Conv'sion $5\frac{1}{4}$% 1974	$91\frac{3}{8}$	Savings 3% 65–75	$71\frac{15}{16}$
Conversion 5% 1971	$93\frac{1}{4}$	Savings $2\frac{1}{2}$% 64–67	88
Conversion $3\frac{1}{2}$% 1969	$87\frac{1}{8}$	Treasury $5\frac{1}{2}$% 2008–12	$90\frac{1}{16}$
Conversion $3\frac{1}{2}$%	$55\frac{3}{16}$	Treasury 5% 86–89	$83\frac{15}{16}$
Exchequer $5\frac{1}{2}$% 1966	$100\frac{17}{32}$	Treasury $3\frac{1}{2}$% 77–80	$70\frac{3}{8}$
Funding $5\frac{1}{2}$% 82–84	$93\frac{3}{16}$	Treasury $3\frac{1}{2}$% 79–81	$70\frac{3}{16}$
Funding 4% 60–90	$88\frac{3}{16}$	Treasury $2\frac{1}{2}$%	$39\frac{15}{16}$
Funding $3\frac{1}{2}$% 99–04	$61\frac{13}{16}$	Victory 4%	$96\frac{11}{16}$
Funding 3% 66–68	$86\frac{11}{16}$	War Loan $3\frac{1}{2}$%	$54\frac{15}{16}$

Decimal Currency

Evidence submitted by The Institute of Cost and Works Accountants to the Committee of Inquiry on Decimal Currency

THIS Institute welcomes the establishment of the Committee of Inquiry on Decimal Currency as a sign of further progress towards the eventual introduction of such a currency. In submitting this memorandum on the problems which may arise in the process, it considers that, despite the cost, inconveniences and initial difficulties which will inevitably have to be faced in the short term, the changeover will be to the long-term advantage of industry and the nation, as a result of its effect upon administrative costs and the improvement in industrial efficiency.

On the basis of the wide experience of its members in industrial and commercial undertakings and public services, the Institute has prepared the following summary of evidence in favour of a speedy changeover to a decimal currency.

1. Its introduction, by rationalizing the design of accounting machinery and the attendant mental and machine calculations, would in our opinion lead to benefits which will constantly accrue in the future. The costs of changeover will occur once and for all at the time of change and should not therefore be considered a deterrent. It is even more necessary to take advantage of these constantly accruing cost advantages at this time of increased international competition and the probable entry of this country into the European Common Market. No opportunity for cost reduction must be neglected, especially one such as this, the benefits of which will, in our opinion, percolate to every level of our national life.

2. Despite the obvious sentimental attraction of retaining the pound as the major unit of account, we do not feel it to be suitable. It is too large a unit by international standards and cannot easily be decimalized. For these practical reasons we feel a choice should be made between the ten shilling/cent system and the eight shilling and fourpence/penny system.

3. In order to minimize the cost and inconvenience of the changeover it is desirable that the new system should be easy to understand and that the public should be able readily to associate the values of the old and new currencies. The fewer new coins issued the less the minting cost and the cost of modifying vending machines.

4. Against this background the ten shilling/cent system and the eight shilling and fourpence/penny system are reviewed (hereafter referred to for convenience as the 10*s* system and the 8*s* 4*d* system). The initial changeover from the £ sterling to the new major unit would seem to be easier under a 10*s* system; a factor of 2 is more readily understood than a factor of 2·4.

5. Although under the 8*s* 4*d* system the penny would be identical in value to the present penny (and therefore prices would be readily comparable), it is considered that the 10*s* system would result in almost as readily comparable values, and the equivalence of amounts greater than the major unit would be more easily understood.

6. An advantage claimed for the 8*s* 4*d* system is that a price structure based on units of one penny would need no adjustment. Such adjustments as would be necessary under the 10*s* system could have an inflationary effect on the millions of daily transactions which individually involve the exchange of a few pence, e.g. newspapers, bread, milk, telephone calls, postal charges, bus and rail fares. It is suggested that although this possible inflationary effect is a factor which the Committee should carefully consider, undue emphasis should not be placed upon it. In some circumstances a price rise might conceivably be of a smaller amount than under the present 'penny' price structure (e.g. a contemplated price rise of 4*d* to 4½*d* might now be from 4*d* to the new 3½ cents, equivalent to 4·2*d*).

7. The minting problems involved have been clearly commented on in the annual report of the Royal Mint for 1958:

> 'Systems of the halfpenny cent type, for example, the 8*s* 4*d* : 1*d* system, would involve no immediately urgent demand for new coin, since all sums in the new notation could be made up exactly with existing coins, but coins of 5, 10, 20 (or 25) and 50 cents would eventually replace the 6, 12, 24 and 30*d* coins. The task before the mint, therefore, would be the gradual replacement, probably denomination by denomination, of the entire cupro-nickel coinage, comprising some 3,000 million pieces. Existing pennies and halfpennies could remain in circulation as 1 and ½ cents at least until all the higher denominations had been replaced and reasonably until they were withdrawn as worn coin.
>
> 'On the other hand, it is characteristic of all systems based on the £ sterling that pennies and halfpennies do not represent simple decimal fractions of £1, the penny being £0·00416 and the halfpenny £0·002083. It would therefore be necessary either to revalue these coins by appreciating them by 20 per cent (1*d*=£0·005) or to replace them. The first course would place no undue burden on the mint, but prior knowledge of appreciation might lead to hoarding and there would be other tire-

some initial consequences. The second course would involve the replacement of some 2,400 million coins.'[1]

(A ten shilling/cent system would have similar characteristics to that of a £ sterling system.)

8. Although initially the 8*s* 4*d* system obviates the necessity of new coinage, other than for the major unit, ultimately all coins would need to be replaced. The 10*s* system would only necessitate the replacement of the penny and halfpenny, and this could be avoided by appreciating the value of these coins by 20 per cent. It might be advisable to minimize the minting of new coins at this stage of the negotiations for the entry of this country into the European Common Market, since this may well eventually lead to the adoption of an European decimal currency.

9. If under the 10*s* system the penny were revalued and the other larger coins (3*d*, 6*d*, 1*s* and 2*s* 6*d* – equivalent to 2½, 5, 10 and 25 cents) were retained, the cost of adjusting vending machines would be minimized. Under the 8*s* 4*d* system adjustment would be necessary only when old coins were replaced by new coins.

10. Adjustments to accounting and computing machines would be necessary if either of the systems were introduced, and this factor is considered in a later section of this submission.

11. A detailed comparison of the two systems of decimal currency provides evidence both of advantages and disadvantages in the use of either system, and different authorities will give varying importance to each of these aspects. However, on balance this Institute is of the opinion that the advantage lies with the 10*s* system.

12. The two natural dates for the introduction of decimal currency would seem to be the end of the financial year (April 5th) or the end of the calendar year. As the latter is too near Christmas (a period of high note circulation) to be convenient, the financial year end would seem to be the best time. The summer months are inconvenient as note circulation tends to rise during the holiday season and most employees take their annual holiday during this period, which in itself often creates considerable problems in maintaining the volume of clerical work.

13. More important than the actual date of introduction is the early publicizing of the date on which the new system would come into force. It is the experience of our members that costs are usually lowest when plans are prepared well in advance. In this way peak loads, which disproportionately increase costs, can often be reduced; re-equipment programmes can be undertaken; and new type stationery ordered in phase with the changeover. Immediately after the announcement of the changeover date most organizations would be able to commence the conversion of some of their records, thus reducing the peak load otherwise arising at the changeover date.

14. Many accounting and statistical records are already kept in decimal form so that the benefits of easier calculation will not accrue in these cases. These records, together with all other information of an historical nature, will need to be converted to the new unit. There may be some saving in cost if the necessity for retaining this data can be considered at the time of conversion and future records rationalized. Certain information in daily or weekly use would need immediate conversion at the time of changeover, or a temporary duplication of records, either of which would involve an undertaking in additional short-term cost.

15. An official conversion table should be issued immediately the announcement is made. It appears that a certain amount of confusion was caused in South Africa by the issue of several different official tables; we therefore submit that only one official table should be issued.

16. At first the new system might slow the tempo of work, but familiarity should soon lead to a resumption of normal tempo. In addition, mental calculations would be simplified and the possibility of error reduced. In a large undertaking it might be possible eventually to reduce clerical staff. The majority of accounting machines would need conversion, but temporarily the shillings and pence columns could be blanked off. As the major unit is smaller than the pound, and two columns would be needed for the cents, the value capacity of machinery would be considerably lower, even after total conversion. Machine conversion could be phased so that it took place first on those machines with the lowest relative capacity. It is probable that a proportion of machines could be converted in advance.

17. The joint report of The British Association for the Advancement of Science and The Association of British Chambers of Commerce notes [at page 16] that over two-thirds of its estimate of £128 million for machine conversion and replacement costs represents replacement of machines too old to convert and that many machine-users would subsequently be better equipped than at present. It is our opinion that most of this replacement expenditure is not a fair charge to the cost of changing to a decimal currency.

18. Machine manufacturers may find the rationalization of machine design reduces their costs and thereby enhances their competitive position in world markets, although they will find that their domestic markets are more vulnerable to competition from overseas. The research and production effort devoted to the perfection of sterling multiplication systems would no longer be necessary.

19. It has always been the firm belief of this Institute that no opportunity for cost reduction should be missed. The once and for all changeover costs are small when compared with the continuing savings in operating costs.

20. In the opinion of this Institute a well-planned and efficient introduction of a decimal currency would further enhance the international prestige of this country, and by reducing costs and simplifying transactions improve our trading position in overseas markets, thereby enabling the United Kingdom to maintain a predominant position in world trade.

[1] A joint report of committees appointed by The British Association for the Advancement of Science and The Association of British Chambers of Commerce: *Decimal Coinage and The Metric System: Should Britain Change?* – page 22.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

From the Earl of Crawford and Balcarres

The Leonardo Appeal

SIR, – I would be grateful if you would allow me to appeal through your journal to members of the accountancy profession of this country to help us secure the Leonardo cartoon for the nation.

I wish it were as easy to raise money as it is to think of reasons why Leonardo, as a man, is of interest to almost every branch of the community. His link with your readers is, of course, his passion for mathematics. And, indeed, one of his contemporaries wrote of him that 'his mathematical experiments have so far distracted him from painting that the sight of a brush puts him out of temper'. Perhaps, if he had stuck to mathematics, he might have been one of the pioneers of the profession of accountancy. For, as you know, he was a pioneer in almost everything and even designed flying machines.

The Leonardo cartoon, now on view at the National Gallery, is one of the world's masterpieces by one of the greatest artists that have ever lived. We have got to raise the remaining £500,000 by the end of July if we are to keep this incomparable treasure at home for ourselves and posterity. I am confident that we shall succeed if everyone will rally to our support and if your readers will send us a donation to the Leonardo Appeal Fund, the National Gallery, London WC2.

Yours faithfully,
CRAWFORD AND BALCARRES.

London WC2.

Deposit Account Interest

SIR, – Belatedly perusing your issue of April 28th I was very interested to read the letter from Messrs Sanders, Millichamp & Co under the above heading. I have had several 'brushes' with various branches of Lloyds Bank over this same point. The most recent case concerned the crediting of four years' deposit interest in one year and as the total amounted to £16 odd it was 'returned' to the Revenue by the bank and this started an investigation which eventually cost my client about £250 in fees.

I took the matter up with the bank and was informed that the interest was held in suspense until the customer gave instructions as to the account to be credited. My client stated quite definitely that no request for instructions, either written or verbal, had ever been made and the bank could produce no evidence that instructions had ever been sought. I argued with the bank and the Revenue that as the interest was calculated half-yearly it became a credit to the client at the same time as it was debited in the accounts of the bank and that it was quite immaterial whether or not it was actually entered in a pass-book at the same time. The Revenue accepted the argument without demur but the bank manager did not feel that any apology was necessary.

I will offer no opinion on the ethics of the procedure but certain it is that interest on interest is lost as your correspondent points out and Mr Booley's reply on behalf of Lloyds Bank in your issue of May 19th offers nothing logical by way of justification.

Yours faithfully,
TORA DATA.

SIR, – Mr F. C. Booley, Public Relations Officer of Lloyds Bank Ltd, in his letter published in your issue of May 19th, omits information on two vital points:

(1) How does his bank deal with interest in the absence of any instructions from the depositor.
(2) If the interest is allowed to accrue, is interest given each half-year on the accumulated amount of accrued interest.

Can Mr Booley please give this information?

Yours faithfully,
Cambridge. L. V. SLATER.

[Mr F. C. Booley writes:

(1) In those cases where the bank has not received instructions for the disposal of interest it is calculated upon the day-to-day balance of the deposit account and accrues until instructions are received.
(2) Simple interest is allowed on the deposit account balance and accrues until it is credited to an account.

Having explained the general policy of the Bank in dealing with deposit account interest, may I suggest that if any of your readers wish to make further inquiries and will address them to me, at Lloyds Bank Head Office, 71 Lombard Street, London EC3, I shall be very happy to deal with them.]

B.U.P.A. Accountants' Group

SIR, – Your readers may be interested to note that the British United Provident Association Accountants' Group has now been operating for seven years and has over 1,000 contributors, together with members of their families.

B.U.P.A. is a nation-wide non-profit association, under the presidency of the Rt Hon. Viscount Nuffield, G.B.E., F.R.S., and was formed in 1947 by the amalgamation of a number of provident associations, some of which had already been in existence for many years. The object of the Association is to shield its subscribers and their families against heavy expenses arising from surgical operations and other specialist treatment as a result of either illness or accident. There is also an optional extension for private treatment by general practitioners.

The Association has no shareholders, and the governors give their services without fee or remuneration of any kind.

The Accountants' Group enables subscribers to obtain the benefits of membership on terms well below those available to individual subscribers to the Association. Membership of the Group is open to most accountants in the United Kingdom whether they are in public practice or in employment, as well as to all grades of staff employed by practising qualified accountants. In the case of chartered accountants, however, their address must be within the area covered by the London and District Society of Chartered Accountants (i.e. London and part of the Home Counties).

Further details of the Association and of the Group will gladly be sent to anyone who may care to write to us.

Yours faithfully,

ROSE, GLUCK & CO,
Chartered Accountants,

HON. GROUP ORGANIZERS,
B.U.P.A. ACCOUNTANTS' GROUP.

14 Queen Victoria Street,
London EC4.

How to Decimalize the Currency

SIR, – In view of the recommendation by The Association of Certified and Corporate Accountants that the major currency unit for decimal currency in Britain should be one of one hundred pennies, your readers may be interested to know that this unit was used in this country for nearly three hundred years before the introduction of our present 240*d* pound. According to the *Encyclopaedia Britannica* the one hundred-penny unit under the name 'Mark' was the unit for money of account in Anglo-Saxon times, its replacement by the pound of 240*d*, with the penny unchanged in value, being a result of the Norman Conquest.

The penny was first struck in A.D. 775, 291 years before the Conquest. As it was the English penny by maintaining its standard of weight and fineness for getting on for five hundred years that earned for itself the name 'Sterling', or good money, on the Continent as against the continually debased local coinages, it would seem appropriate to call a revived one hundred-penny unit by the name of Mark Sterling (contracted to Mark for internal use) thus continuing the association of our currency with sterling.

Yours faithfully,

Ewell, Surrey. H. O. WORGER, V.D., F.I.A.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

In re Bird

In the Court of Appeal – March 16th, 1962
(Before Lord Justice HARMAN, Lord Justice UPJOHN and Lord Justice DIPLOCK)

Income tax – Trade – Debtor acquiring residence abroad – Tax still owing – Whether debtor carrying on business in England – Bankruptcy Act, 1914, sections 1 (2), 4 (1) (d) – Income Tax Act, 1952, Schedule D, Case 1.

As the result of a back duty inquiry the debtor became liable to pay tax under Case I of Schedule D, amounting to £3,622, in respect of his business as a street bookmaker, and the Inland Revenue obtained a default judgment against him for that amount in 1960. In the meanwhile, in February 1957, the debtor went to Jersey, and he and his wife had lived there ever since. The debtor also owed a sum to his accountants in respect of their work in the course of the back duty inquiry.

On September 1st, 1960, a bankruptcy notice was issued, and by leave was served on the debtor out of the jurisdiction; and he was adjudicated bankrupt on February 24th, 1961. Having been ordered to attend his public examination, and not having complied therewith, the debtor was, on April 21st, 1961, arrested in Jersey for contempt of court and was brought to this country. On May 4th, 1961, the debtor applied by motion to have the adjudication order annulled, and to have the bankruptcy notice set aside on the ground that he was not at any time during the material period either domiciled or ordinarily resident in England or in any other respect a debtor within section 1 (2) of the Bankruptcy Act, 1914, or a person against whom a petition in bankruptcy could be presented pursuant to section 4 (1) (*d*) of that Act, and that he was not otherwise subject to the bankruptcy jurisdiction of the English Courts. The registrar dismissed the motion.

Held: for bankruptcy purposes a person continues to to carry on business in England, as long as any debts of the business remain outstanding; that the same rule applied in relation to a debt for income tax under Case I of Schedule D; that, as the debt for income tax was still unpaid, the debtor had been carrying on business in England within section 4 (1) (*d*) within one year of the presentation of the petition; that the receiving order and the adjudication order were, therefore, valid; and that the debt owed to the accountants was in the same position as the debt for income tax.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name.

Alfred Charles Axon, F.C.A., Brighton.
Wouter Matthijs de Clercq, A.S.A.A., New York.
John Norman Edward Hart, F.C.A., Walsall.
Rio Tyrell Arthur Hohler, B.A., A.C.A., Ontario.
Frank Denis Leech, A.C.A., London.
Frank Netherwood, F.C.A., York.
Frank Norris Pinder, F.C.A., London.
Cyril Ward, F.C.A., Ontario.

PROFESSIONAL NOTICES

MESSRS BIRKETT, WESSON & CO, Chartered Accountants, of 6 Hanover Square, London W1, announce that they have taken into partnership Mr RAYMOND JOHN LYE, A.C.A., with effect from June 1st, 1962.

MESSRS DEARDEN, HARPER, MILLER & CO, Chartered Accountants, of 14 Lloyd Street, Manchester 2, and 17/18 St Dunstan's Hill, London EC3, announce with regret the death of their senior partner, Mr ROBERT BIBBY, F.C.A., on May 28th, 1962.

MESSRS DELOITTE, PLENDER, GRIFFITHS & CO announce that Mr LESTER G. TAYLOR, C.P.A., has been admitted into partnership in their associated firms in Lima, Peru, viz. DELOITTE, PLENDER, GRIFFITHS & CO and DELOITTE, PLENDER, HASKINS & SELLS.

MESSRS JONES, ROBATHAN, THOMPSON & CO, Chartered Accountants, announce that as from June 1st, 1962, Mr WILFRED ALAN CLUBB, F.C.A., has retired from the partnership. Mr RICHARD TURNER PARKINSON, A.C.A., will continue to be the resident partner at Cardiff.

MESSRS PARKER & GLENTWORTH announce that Mr NORMAN REX, A.C.A., has been taken into partnership. The style of the firm remains unchanged, but as from June 4th, 1962, the address is Cavendish House, Pasture Street, Grimsby.

MESSRS F. ARTHUR PITT & CO, WOMERSLEY & TWEEDALE and GREENHALGH, SON & DUTTON, Chartered Accountants, of 14 John Dalton Street, Manchester 2, and 20 Acresfield, Bolton, announce with regret the death of their senior partner, Mr P. NUTTALL, F.C.A., on May 27th, 1962, after a long illness. The practice will continue to be carried on under the same names by the remaining partners, Mr M. H. LEESE, F.C.A., Mr R. A. PITT, F.C.A., Mr P. CLARKE, F.C.A., and Mr V. DALLEY, F.C.A.

Appointments

Mr J. J. Beavis, A.C.A., has been appointed to the board of Laing Development Co Ltd.

Mr R. A. Dean, A.C.W.A., has been appointed revenue assistant (organization and mechanization) in the chief accountant's department of British Railways, Eastern Region.

Mr John Doorly, B.COM., A.C.A., has been appointed secretary of Irish & Intercontinental Hotels Ltd.

Mr George S. Essex, A.C.A., secretary of Grover, Bolton & Co Ltd, has been appointed to the board.

Mr Edwin P. Hubbard, F.A.I.A., F.C.C.S., of London, has been elected chairman of the Association of International Accountants for the third consecutive year.

Mr J. A. B. Keeling, D.F.C., M.A., A.C.A., has been elected to the board of C. F. Taylor & Co Ltd.

Mr John Mapley, A.C.A., secretary of Tickopres Ltd, a company in the Norcros group, has been appointed general manager of their Harwich establishment.

Mr W. G. A. Russell F.C.A., has been appointed a director of the Legal & General Assurance Society Ltd.

Mr R. A. Sutton, F.C.A., is to be appointed group chief accountant of Tootal Ltd with effect from June 30th, 1962.

NEW PROFESSOR OF ACCOUNTING

The title of 'Professor of Accounting in the University of London' has been conferred upon Mr H. C. Edey, B.COM., F.C.A., in respect of his post at the London School of Economics and Political Science.

Mr H. C. Edey

Mr Edey qualified and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1935. He served throughout the war in the Royal Navy and shortly after demobilization joined the L.S.E., where he is now Reader in Accounting. He is a Governor of the City of London College and the Travers Lecture he gave there in April on 'Thinking in figures' was reproduced in *The Accountant* of April 21st. He is author of the book, *Business Budgets and Accounts*.

When Mr Edey takes up his new appointment on October 1st next, there will be two Professors of Accounting in London University; the other, of course, being Professor W. T. Baxter, B.COM., C.A.

PREMIUM SAVINGS BONDS

The Treasury has announced a variation in the conditions of eligibility of Premium Savings Bonds for the prize draw after the death of the holder.

At present, bonds are eligible for the monthly prize draw for one month after the death of the holder. Under the new terms, if the holder dies on or after July 1st, 1962, the bonds will be eligible for the prize draw for one year after his death. The first draw to be affected by the change will be that commencing on Monday, September 3rd, 1962. The change will apply to all bonds whenever they were bought. There will be no change in the existing conditions in cases where the holder dies before July 1st, 1962.

INCOME TAX PAYERS' SOCIETY WINDING-UP

The Income Tax Payers' Society, founded over forty years ago, is to be brought to an end. This unfortunate decision has been forced upon the Executive Committee of the Society by the ever increasing rise in expenditure notwithstanding a fairly substantial increase in membership in recent years. The resultant increased income, says the Society, has proved insufficient to balance costs, and the decision to wind-up the Society has been taken while it is still in a position to meet its liabilities in full. The winding-up should be effected by September 30th next.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

New Chairman Elected

Mr C. V. Best, F.C.A., senior partner in the firm of Allen, Baldry, Holman & Best, Chartered Accountants, of London and Guildford, has been elected chairman of the London and District Society of Chartered Accountants.

Mr C. V. Best

Admitted to membership of the former Society of Incorporated Accountants in 1924 and elected a fellow in 1930, Mr Best served as chairman of the Incorporated Accountants' London and District Society from 1946–48, and was a member of the Council of the Society from 1952 until integration in 1957. He served as chairman of the Parliamentary and Taxation, and Library Committees, and was a member of the Finance and General Purposes, Disciplinary, and District Societies Committees. Following integration, Mr Best served on the Taxation and Research Committee of the Institute from 1958–61.

He has been a member of the London and District Society of Chartered Accountants since 1958 and was the first honorary treasurer of the Society, holding the office from that year until his election as Vice-Chairman in 1961. He was also chairman of the London Taxation and Research Committee in 1961–62.

Mr Best is Treasurer and a Past Master of the Sir James Martin Lodge (formerly The Incorporated Accountants' Lodge) and chairman or director of a number of companies.

The new Vice-Chairman of the Society is Mr C. J. M. Bennett, B.A., F.C.A., of Barton, Mayhew & Co, Chartered Accountants.

LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

New President

Mr H. M. Lepper, F.C.A., a partner in the firm of Clifford Towers, Woodroffe & Co, Chartered Accountants, of Northampton, was elected President of the Leicestershire and Northamptonshire Society of Chartered Accountants at the Society's annual meeting held on May 24th.

Mr H. M. Lepper

Mr Lepper was admitted to membership of the former Society of Incorporated Accountants in 1935, after serving articles with Clifford Towers, Woodroffe & Co. He was admitted to partnership in the firm in 1938.

He was elected to the Committee of the Leicestershire and Northamptonshire District Society of Incorporated Accountants in 1945 and served as assistant secretary until integration.

Mr Lepper is also a chartered secretary and served as President of the Northampton Centre of their Institute from 1958–61.

Other officers of the Society for 1962–63 are:

Vice-Presidents: Mr G. L. Aspell, T.D., D.L., F.C.A., Mr W. E. Willis, D.F.C., B.A., J.P., F.C.A.

Hon. Librarian: Mr W. E. Willis, D.F.C., B.A., J.P., F.C.A.

Hon. Secretary and Treasurer: Mr J. H. Golcher, F.C.A., 32 De Montfort Street, Leicester.

Hon. Assistant Secretary: Mr R. F. Watkins, F.C.A.

Annual Report

The Committee's annual report for the year 1961 shows that membership of the Society on December 31st totalled 497.

Four luncheon meetings were held in Leicester during the year, when addresses were given by guest speakers, and were all well attended. No evening meetings were held as, it is stated, 'judging by attendances in the past, these are not very popular'. The Leicester Discussion Group held a number of luncheon meetings and several meetings were held by the Kettering Discussion Group. In connection with the Institute's small practitioner inquiry, meetings were held in Leicester, Northampton and Peterborough. The principal social function of the year was the annual dinner held at the Grand Hotel, Leicester, and attended by 326 members and guests.

In response to the appeal of the Leicester City Council, the Committee decided to contribute towards the collection of civic plate and a silver sweet dish was presented to the Lord Mayor of Leicester on behalf of the Society by the President and the Secretary in March of this year.

JOHN FOORD & COMPANY
56 VICTORIA STREET, LONDON SWI
Telephone: Victoria 2002 (3 lines)
REVALUATION OF ASSETS
WORKS, FACTORIES, PLANT & MACHINERY, Etc.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Mr D. E. T. Tanfield, F.C.A., has been elected President of the Birmingham and District Society of Chartered Accountants for the year 1961–62.

Mr D. E. T. Tanfield

Educated at Bromsgrove School, Mr Tanfield was articled to his father, the late Mr Doylah Tanfield, subsequently joining him in the partnership of Wall & Tanfield, of Birmingham and Dudley. He left practice in 1953 to become joint managing director of J. Hickman & Son (Brierley Hill) Ltd, and is a director of a number of companies, including the principal members of the J. Hickman & Son group.

Mr Tanfield has served as auditor of the Birmingham and District Society, is a member of its Committee and is a past chairman of the District Society Regional Taxation and Research Committee. He is also a member of the Institute's Taxation and Research Committee. For a number of years Mr Tanfield was secretary of the old Bromsgrovian Club, of which he is now treasurer.

Other officers of the Society elected for the ensuing year are as follows:

Vice-President: Mr G. S. Major, T.D., B.COM., F.C.A.
Hon. Secretary: Mr W. R. Doherty, T.D., F.C.A., Cooper Brothers and Carter & Co, 75 Harborne Road, Birmingham 15.
Hon. Assistant Secretary: Mr P. T. Neal, F.C.A.
Hon. Treasurer: Mr C. Wheatley, F.C.A.
Hon. Librarian: Mr P. G. Craven, T.D., F.C.A.
Hon. Dinner Secretary: Mr A. S. Maddison, F.C.A.

Eightieth Annual Report

The Society's eightieth annual report records an increase of fifty-nine members during the year and total membership at April 30th, 1962, numbered 1,522. This figure includes 169 members of the Wolverhampton Branch, 139 members of the Coventry Area Branch and 128 members of the Stoke-on-Trent Area Branch.

Eleven meetings of the Committee were held during the year and the Regional Taxation and Research Committee met on a number of occasions to discuss matters referred to it by the main Institute Committee. As in past years, certain members of the Society, who were not on the committee, were invited to attend meetings when the topic under discussion was one on which it was felt that their special experience would be valuable.

Six lecture meetings were held during the winter 1961–62 session and all were well attended. In addition, the Society received an invitation from the Association of Her Majesty's Inspectors of Taxes for members to attend a meeting held in February last and about one hundred members of the Society were present. Successful conferences took place during the year at the North Staffordshire University College, Keele, at Welshpool – when some thirty practising members from Shropshire and Herefordshire attended – and at Birmingham University. Two discussion groups continue to meet – one group being for the exchange of ideas between accountants engaged in industry and commerce in the Midlands – and all their meetings were well attended. Meetings of small practitioners were held in connection with the Institute inquiry in November and December in Welshpool, Stoke-on-Trent, Dudley, Worcester, Coventry, Wolverhampton, Leamington Spa and Birmingham.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society played its annual match against the London Solicitors at Walton Heath on Sunday, May 27th.

The weather was very unkind at the start and it rained heavily throughout the morning. Nevertheless, the standard of golf was very good and the result at midday was level, each side having won two and a half matches.

The weather made amends in the afternoon and shortly after lunch the rain stopped and stayed away for the rest of the round.

The Solicitors lost three of the five matches in the afternoon so that the over-all result for the day was a win for the Accountants by $5\frac{1}{2}$ to $4\frac{1}{2}$ matches. The teams consisted of five pairs and ten foursome matches were played.

The results (chartered accountants' names first) were as follows:

Morning

Tudor Davies and J. M. Kaye beat G. D. Glenister and J. Parry-Jones, 4 and 3.
M. T. W. Easby and W. R. Tomkinson lost to N. W. Roberts and F. L. Perkins, 3 and 2.
R. G. B. Drummond and D. J. Hedges lost to F. R. Furber and J. D. Kerr, 1 down.
D. H. Brown and A. Coleman beat G. Vaughan and R. T. Boase, 5 and 3.
J. T. Isherwood and E. Head halved with D. Brooke-Hitching and L. Nathanson.

Afternoon

Davies and Easby beat Parry-Jones and Kerr, 7 and 5.
Kaye and Drummond beat Roberts and Vaughan, 2 and 1.
Hedges and Tomkinson lost to Perkins and Glenister, 6 and 4.
Isherwood and Coleman beat Brooke-Hitching and Boase, 2 and 1.
Brown and Head lost to Furber and Nathanson, 2 down.

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CERTIFIED ACCOUNTANTS' JUBILEE GOLF TROPHY

The final round of the Certified Accountants' 1962 Jubilee Golf Trophy Competition was played at the North Cliff Golf Course last Saturday. The winner was Mr H. Pepper, F.A.C.C.A., of Leeds, the joint runners-up being Mr J. V. Banks, F.A.C.C.A., of Rhyl and Mr J. Wilkie, F.A.C.C.A., of London.

At a dinner held the same evening at the Grand Hotel, Scarborough, the President of the Association, Mr E. Spencer, F.A.C.C.A., presented the Jubilee Trophy and a miniature replica to Mr Pepper who was accompanied by his wife and son.

MANCHESTER CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

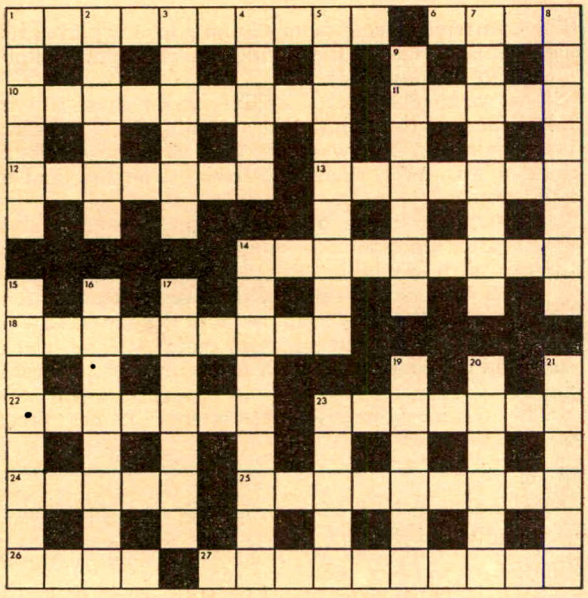
At a recent meeting of the Manchester Chartered Accountants Students' Society the following officers were elected for the ensuing year:

President: Mr D. N. Walton, F.C.A.
Vice-President: Mr R. Y. Taylor, B.A., F.C.A.
Joint Hon. Auditors: Mr A. T. Dowd, B.SC., A.C.A., and Mr W. A. Bolton, A.C.A.

The Hon. Secretary, Hon. Treasurer and Hon. Librarian will be elected at the next Committee meeting to be held on July 16th.

BANK HOLIDAY CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



CLUES ACROSS

1. He displays a noble article in performance (10).
6. Local tax process with no argument in favour of it (4).
10. Money sent to issue a thousand in payment for use of property (9).
11. Of which the fifth is an important accounting date (5).
12. Form of Quota 51 such as will divide a number without 18 (7).
13. The writer is back on a retirement allowance (7).
14. Prerogative to reprint what the efficient typist will do (9).
18. A reminder of things to come? (9).
22. Do these deposits with the broker impair his spirits? (7).
23. Somehow musters forged cheques (7).
24. Double relationship of 10 to 1 with base 2 (5).
25. Devolving again, always returning fleece (9).
26. Used to be the subscription to a club (4).
27. Picture regulations in lieu of log-tables (5, 5).

CLUES DOWN

1. Payments in this are overdue (6).
2. Pledge it under two thousand with a company precedent (6).
3. A statement included in a prospectus shall be deemed to be ——— if it is misleading . . . (Section 46, Companies Act, 1948) (6).
4. Negotiate at the bar (5).
5. Record document for writing letters (9).
7. Confused reasoning loses nothing in wages (8).
8. It contains particulars of the vendor's transaction (4, 4).
9. Small change for leather manufacturers (7).
14. A low fellow of the stars referring to a register of lands for taxation purposes (9).
15. Advanced and set up a company (8).
16. A hole in the wood to pay off through a sinking fund (8).
17. Section 439, Companies Act, 1948, deals with the improper use of this word, with restrictions (7).
19. The treasurer holds a scholarship (6).
20. Mailed so as to provide about the average (6).
21. Customs that take us a long time (6).
23. Economized, except for a penny (5).

The solution will be published in next week's issue.

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ACCOUNTANT

ESTABLISHED 1874

JUNE 16TH, 1962 VOL. CXLVI. NO. 4565

CONTENTS

	Page
Estate Duty and Overseas Property	761
Contrariwise 'Know-how'	763
Section 209 under Fire! by *A Barrister-at-law*	764
The Profession Abroad: I – International Freedom by *Mary E. Murphy, Ph.D.(Lond.), C.P.A.*	766
Weekly Notes	768
This is My Life . . . by *An Industrious Accountant*	770
Reviews	771
Finance and Commerce Reliable Properties Ltd – City Notes – Rates and Prices	773
Correspondence	776
Taxation Case Jarrold *v.* John Good & Sons Ltd	777
International Fiscal Association United Kingdom Branch	777
The Institute of Chartered Accountants in England and Wales Special and Ordinary Meetings of the Council	778
Findings and Decisions of the Disciplinary Committee	784
Members' Library	784
Notes and Notices	785
New Legislation	788

Estate Duty and Overseas Property

UNIVERSITY LIBRARY

CLAUSE 24 (originally Clause 23) of the current Finance Bill imposes duty on immovable property abroad and makes consequential amendments.

Ever since estate duty was imposed in 1894 the general rule has been that where the decedent was domiciled in Great Britain all the assets, wherever situate, passing on his death attracted estate duty. A single exception was made in favour of his property outside Great Britain which, by the local law, was 'immovable' property. The rules relating to overseas property were codified by section 28 (2) of the Finance Act, 1949.

The broad effect of section 28 (2) is, *inter alia*, to exempt from estate duty immovable property situated abroad. Except in the case of *inter vivos* gifts, it is necessary also to satisfy the Revenue that the proper law regulating the devolution of the property, or regulating the disposition under which it passes, is not the law of England or of Scotland. However, this additional requirement is practically nugatory, in view of the House of Lords' decision in *Philipson-Stow v. C.I.R.* (39 A.T.C. 394).

Clause 24 (1) of the Bill takes out of section 28 (2) the reference to immovable property, thus leaving the subsection to deal only with matters where the question of domicile is in issue. Clause 24 (2) enlarges the field of accountability to the Inland Revenue for estate duty which has become payable. It does this in two ways: by amending section 8 (3) of the Finance Act, 1894, and by amending section 8 (4) of that Act. In its present existing form, section 8 (3) makes the executor (which includes the administrator or any person intermeddling with the deceased's property) 'accountable' for the duty in respect of all *personal* property, whether inside or outside Great Britain, of which the deceased was competent to dispose. However, it limits the executor's liability for actual payment to the proceeds of such assets as he receives as executor, or might have received but for his own neglect or default. The first part of clause 24 (2) extends this accountability of the executor to include all property, personal or not, situate outside Great Britain, provided, of course, that the deceased died competent to dispose of it. It will be seen that the executor is still protected, as to liability to pay, by the restriction to the proceeds of assets actually received by him. As regards real property inside Great Britain, section 16 (1) of the Law of Property, 1925, makes the 'personal representative' accountable.

Section 8 (4) of the 1894 Act imposes accountability for estate

duty on 'every person to whom any property . . . passes (on the death) for any beneficial interest in possession, and also, to the extent of the property actually received or disposed of by him, every trustee, guardian, committee or other person in whom any interest in the property so passing or the management thereof is at any time vested, and every person in whom the same is vested in possession by alienation or other derivative title'. A mere bailiff or agent for management is excluded. Now this subsection is expressed to be confined to property in respect of which the executor is not accountable. We have seen that the range of the executor's accountability has been extended by the first part of clause 24 (2) to include immovable property overseas. The second part of the sub-clause extends section 8 (4) accountability to cover all property outside Great Britain, even though the executor *is* also accountable for it. This amendment is not solely consequential upon the termination of exemption of overseas immovable property; it strengthens the Revenue's powers in relation to all overseas property of which the deceased was competent to dispose. If they cannot get the duty from the executor, they can proceed against beneficiaries and donees in this country.

Their powers are further strengthened by clause 24 (3) which extends the scope of section 9 (1) of the Finance Act, 1894. This subsection, in its present wording, imposes a charge on property in respect of which estate duty is leviable. The charge is to secure a rateable part of the estate duty falling on the estate as a whole. The part is, of course, in proportion to the value of the property charged. Section 9 (1) is expressed to be confined to property which does not pass to the executor as such. There is a proviso exempting property which has passed to a bona fide purchaser for valuable consideration. In relation to property which is within section 9 (1) but is situate outside Great Britain, clause 24 (3) provides that the charge shall extend to assets which form the proceeds of any disposition of the property. The sub-clause goes on to direct that the proviso, and also any other enactment relating to the charge, is to have effect accordingly.

Clause 24 (4) makes some minor amendments, all of which are confined to property situate outside Great Britain. References in the estate duty Acts to 'personal property' are to be construed as references to property which, by the local law, is movable property or which consists of a mortgage or other security. Under the second limb of this provision, the famous Jersey mortgages will be personal property. References in the estate duty Acts to 'real property' are to be construed accordingly.

Section 60 (3) of the Finance (1909–10) Act, 1910, made special provisions for appeals on a question of valuation of real property, including leaseholds. These provisions were amended by the Lands Tribunal Act, 1949. Broadly speaking, disputes as to valuations of land for estate duty purposes are referred to the Lands Tribunal. Clearly this system is inappropriate to land overseas. Clause 24 (4) (*b*) directs that it is not to apply, so that the ordinary rules contained by section 10 of the Finance Act, 1894, apply. Paragraph (*c*) of clause 24 (4) contains a similar amendment. The provisions, in paragraph 1 of the Seventh Schedule to the Finance Act, 1940, deal with the valuation of the 'benefits' for the purpose of computing a company's liability to duty under section 46 of that Act. Where the deceased occupied land, paragraph 1 (7) directs that the value of the benefit be based on the Schedule A value. Clearly there will be no Schedule A value for foreign land. Accordingly paragraph (*c*) directs that this provision shall not apply in relation to property outside Great Britain. Paragraph (*c*) makes a like amendment in relation to section 7 (5) of the Finance Act, 1894, which imposes a limit on the valuation of agricultural property. Incidentally, where overseas land charged to duty is agricultural land, it seems that the 'agricultural relief' will apply.

Section 7 (2) of the Finance Act, 1894, restricts the deduction of debts owed to persons outside Great Britain. An allowance for debts owed to persons resident outside Great Britain is to be made in the first instance only out of the deceased's overseas *personal* property, unless the debt is payable in, or charged on property, in Great Britain. Moreover no estate duty paid is to be repaid in respect of such debts except to the extent to which the Revenue are satisfied that the *personal* property of the deceased in the territory where the creditor lives is insufficient for the payment of the debts. Clause 24 (5) directs that the word 'personal' is to be deleted from section 7 (2).

Contrariwise 'Know-how'

FOLLOWING on the decision in the House of Lords in *Rolls-Royce Ltd v. Jeffery* last March, this month has seen another blow struck at the taxpayer in the 'know-how' cases. On June 5th Mr Justice PENNYCUICK allowed two appeals by the Crown, as a result of which payments for 'know-how' aggregating over £800,000 became charged to tax. At the same time his lordship laid down rules as to the tax treatment of payments of this kind.

The taxpayer was the English Electric Co Ltd and the assessments were for the years 1951–52 and 1952–53 in the sums of £3,100,000 and £3,420,000, respectively. The company appealed against them on the grounds that they wrongly included certain lump sums for the sale of 'know-how'. The company was incorporated in 1918 and carried on a manufacturing business as general engineers. By 1950 its authorized capital was £8 million and its issued capital £7 million. It had accumulated special information and technique in engineering processes which it had always jealously guarded. Although the company had not been in the habit of imparting this knowledge to others for reward, under pressure it had occasionally granted licences to other manufacturers. Having had long experience in the manufacture of land turbines, it was approached by the Admiralty in 1949 with a request to manufacture a prototype sea turbine which other engineering firms could manufacture.

In that year the company agreed with the Admiralty to provide the prototype, and also the manufacturing technique, engineering information and all other data necessary to manufacture sea turbines to that design. The consideration was the following lump sums: £40,000 for the licence to six other United Kingdom manufacturers; £25,000 for manufacture in Canada, and £25,000 for manufacture in Australia. In 1950, at the request of the Ministry of Supply, the company agreed with the Australian Government to provide the necessary 'know-how' for the manufacture of the Canberra twin-engined bomber in Australia, for a lump sum of £200,000. The agreement also provided for annual sums for the use of the company's designs and for information as to improvements in design; liability on these annual sums was not disputed. Again at the request of the Ministry of Supply the company agreed in 1951 with an American military commission that the Glenn L. Martin Co, be given the necessary 'know-how' to manufacture the Canberra for $1½ million (£536,739).

The Special Commissioners accepted the company's contention that the lump sums were capital sums and did not fall to be included in the company's taxable profit. At that time the House of Lords had given judgment in *Moriarty v. Evans Medical Supplies Ltd* (36 A.T.C. 277) but not in *Rolls-Royce Ltd v. Jeffery*.

Mr Justice PENNYCUICK expressed the view (according to *The Guardian* of June 6th) that the *ratio decidendi* of the *Rolls-Royce* case was that the 'know-how' of manufacturing technique was an asset in the hands of the manufacturer. It was of such a nature that it could be transferred to another party for a consideration. If it were communicated in such a way that it would lose all value to its original owner the consideration for it would be a capital sum. But if its original owner could still make use of that knowledge, then the consideration for its transfer would be income.

It was possible, his lordship said, that some cases might take an intermediate position between the complete loss of value on the one hand and a retention of value on the other. Such a case would call for an apportionment; the fact that the parties had called a particular sum 'capital' would be irrelevant. Coming to the facts of the present case, his lordship said he had come to the conclusion that the so-called lump sums were income and not capital payments. Prior to the agreements with the Australian Government the company had never manufactured sea turbines. Its Canberra aircraft had always been sold to the Ministry of Supply. There was no evidence of the company's activities in Australia or the United States. The company had imposed restrictions on the use of the 'know-how'; it had retained the use of it for its own purposes; and it could still impart the knowledge to others for profit. In other words, the 'know-how' asset was still intact.

Section 209 Under Fire!

by A BARRISTER-AT-LAW

NO provision in the Companies Act, 1948, received so much criticism from those who gave evidence, or submitted memoranda to the Jenkins Committee on Company Law Reform, as section 209; not so much on account of the general principles involved, but because of ambiguities and inconsistencies in the text, the creation of some time limits which serve no purpose save to delay, and one or two wholly undesirable features.

The section provides, in effect, that where a company makes an offer for all the shares of another company or for the whole of any class of shares, and that offer is accepted by the holders of 90 per cent of the shares, the transferee company can, upon the same terms, acquire the shares of the members who have not accepted the offer unless such persons can persuade the Court not to permit the compulsory acquisition. Special provisions apply where the transferee company already holds more than 10 per cent in value of the shares concerned. Minority shareholders, too, in certain circumstances, may require the transferee company to purchase their shares, and the transferee company is bound to do so. Such acquisition is upon the same terms as in the offer, or upon terms agreed between the offeror company and the dissenting shareholder, or upon such terms as the Court may order.

Transfers of Shares

The Bar Council pointed out that the expression 'transfer of shares or any class of shares in a company' in subsection (1) may mean

(*a*) the execution of an instrument of transfer by the transferor in favour of the transferee company; or
(*b*) the completion of the instrument by its execution also by the transferee company; or
(*c*) the delivery of the completed instrument for registration; or
(*d*) the actual registration;

but that whichever of these meanings is correct, it is inconsistent with subsection (2) which contemplates that a transfer in pursuance of the 'scheme or contract' (referred to in subsection (1)) may be made not only to the transferee company but also to a nominee of the transferee company. It is therefore suggested that subsection (1) should refer to 'another company or its nominee', as in subsection (2), and since the transferee company may wish all or any of the shares to be acquired by one of its subsidiaries, that transfer to a subsidiary should be equated with transfer to the transferee company itself.

Again, it is said that the reference in the section to 'transfer of shares' etc. merely imports a transfer of legal ownership and does not necessarily import that the transferee company becomes beneficial owner. Accordingly, the transferee company may be acting purely as a nominee of an individual or group of individuals, or a syndicate of companies, which appears to be contrary to the intention of the section (see now, *Re Bugle Press Ltd* ([1960] 3 All E.R. 791)). The Bar Council suggested that for the reference to 'transfer of shares' there should be substituted a reference to the beneficial ownership of shares, and that the benefit of the section should be confined to the acquisition of the beneficial ownership of shares by a single company or its subsidiary. The Accepting Houses Committee and Issuing Houses Association, on the other hand, saw no logical reason why the transferee must be a company.

Making of the Offer

It is not always clear in practice what is the date of the 'making of the offer' for the purposes of subsection (1). There is sometimes a preliminary agreement with the directors of the transferor company under which they agree to sell their shares, and the general body of shareholders is then invited to sell on the same terms. In such circumstances, is the date of the making of the offer the date when the preliminary agreement was made or the date when the invitation is sent out to the general body of shareholders? It is suggested that the latter should be the relevant date; and that the relevant date for giving notice to dissentient shareholders under subsection (2) should be the date of acquisition of a 90 per cent beneficial interest in the transferor company by reason of acceptances of the offer and the fulfilment of all conditions to which the offer is subject. Otherwise, the transferee company can, by delaying the execution by it of instruments of transfer or the presentation of transfers for registration, postpone the date of giving notice beyond the six months' period ('two months after the expiration of the said four months') referred to in subsection (1).

Different Classes of Shares

It is not absolutely clear in cases where there are two or more classes of shares in the transferor company whether acceptance by holders of 90 per cent in the aggregate fulfils the conditions of the section. Among those who submitted recommendations to the Jenkins Committee there was a general feeling that it should be necessary for 90 per cent in value of each class of share to have been acquired in order to claim the benefit of the section. On the other hand, Guest, Keen & Nettlefolds consider the section should make it plain that where an offer is being made for the whole of the share capital of a company consisting of shares of different classes, it is sufficient to obtain acceptances from holders of 90 per cent in nominal value of the total paid-up capital.

Mixed Terms

Problems arise where there are alternative share and cash offers, for the terms on which compulsory acquisition follows are not clearly stated. Unless in such a case the offer is carefully framed, the transferee company may find itself unable to operate section 209 if dissenting shareholders refuse to express an election. A suggestion was made to the Jenkins Committee that the transferee company should be entitled to stipulate, in giving a subsection (1) notice, which of the alternative sets of terms is to apply in the absence of an election by the dissentient within a specified time.

Another difficulty may arise where the consideration consists partly of shares in the transferee company and partly of cash, the cash being not more than 10 per cent of the total consideration. Subsections (3) and (4) may cause the transferee company to lose stamp duty reliefs under section 55 of the Finance Act, 1927 (as amended), because the shares issued to the transferor company on trust for dissentients will not have been issued to shareholders of the transferor company, and this may reduce the proportion of shares issued to such shareholders below 90 per cent. It is therefore suggested that the issue of shares to the transferor company under subsection (3) shall be deemed, for the purposes of section 55 of the Act of 1927, to be issued to the holders of shares in the transferor company.

Time Limits

Subsection (1) provides that a transferee company whose offer has been accepted by the holders of not less than 90 per cent in value of the shares (or class of shares, as the case may be) of the transferor company may give notice of its desire to acquire the minority shareholdings within two months after the expiration of four months from the making of the offer. It is generally agreed that it is pointless to make the transferee company wait for the expiration of the four months' period before giving notice to dissentient shareholders, and that it should be allowed to do so within six months or less after the condition of 90 per cent acceptance has been fulfilled. And although there is a time limit within which notices may be sent to dissentient shareholders, no time limit is set for the acquisition of their shares!

Stamp Duty

At one time it seemed that no stamp duty might be payable in connection with the compulsory transfer of shares under section 209, and Buckley, J., had so held in the case of *Ridge Nominees Ltd v. C.I.R.* ([1961] 2 All E.R. 354), on the ground that a 'sale' involved a consensus between vendor and purchaser, and in the case of a transaction under section 209 that element was absent. But the Court of Appeal ([1961] 3 All E.R. 1108) thought otherwise. It held that the question was not whether it could properly be said that the dissenting shareholder 'sold' her shares within the common law meaning of that word, but whether the transfer was a 'transfer on sale' within the meaning of the Finance Act, 1891. It appeared to the Court that it was a transfer on sale notwithstanding that the shareholder was compelled to sell against her will, for section 209 brought about a transfer having on its face all the essential characteristics of a sale and conferred authority for its execution which the transferor could not revoke.

Transferor Company Trustee for Dissentients

Where, pursuant to subsection (4), shares in the transferee company have been issued to the transferor company to hold in trust for dissentients, there is nothing to preclude the transferor company from exercising the voting rights attached to such shares. The Bar Council suggested it should be provided that the transferor company shall not exercise such votes except on the instructions of the beneficial owner. Courtaulds, however, thought that some independent person, such as a bank or the public trustee, would be more appropriate as a trustee. They pointed out that the transferor company (now a subsidiary of the transferee company) which has to act as trustee has generally no experience of

doing so, so that a disproportionate amount of administrative time has to be spent upon the task. In addition, difficulties arise on the winding up or reconstruction of the transferor company, and it seems surprising that the dissentient shareholder should have to accept as trustee the wholly-owned subsidiary of a company with which he has declined to deal.

Bidder Already Holding Shares

The proviso to section 209 (1) states that where the transferee company already holds more than 10 per cent of the shares subject to the offer, the subsection shall not apply unless (*inter alia*) the assenting shareholders not only hold 90 per cent of the shares involved but are also not less than three-fourths in number of the holders of those shares. The Accepting Houses Committee and Issuing Houses Association pointed out that there is no similar requirement for acceptance by three-quarters in number of the holders where the bidder holds no shares or 10 per cent or less. They considered it difficult to justify this inconsistency and have recommended that assent by three-quarters in number of the holders should be required in all classes of bids before the provisions for compulsory acquisition can be enforced.

Mr Registrar Berkeley would go further. He thinks it unfair on the dissentient shareholder to place the onus of applying to the Court on him, for the reason that apart from the financial risk this involves he has seldom a sufficiently intimate knowledge of the company's affairs to make out his case. On these grounds it is said that there is a case for requiring the sanction of the Court for all compulsory acquisitions of shares or compulsory replacements of shares by shares of another company.

Certainly there is no dearth of ideas concerning the ways in which section 209 should be amended, and it will be interesting to see what the Jenkins Committee has to say about them in its report to be published next Thursday.

The Profession Abroad

I—INTERNATIONAL FREEDOM

by MARY E. MURPHY, Ph.D.(Lond.), C.P.A.

This series of articles in which Dr Murphy, of Los Angeles State College of Applied Art and Sciences, surveys the professional scene in various parts of the world is particularly appropriate at the present time when Britain is contemplating entry into the European Common Market, and the profession at large looks forward to the forthcoming International Congress in New York.

AFTER the International Congress on Accounting in Amsterdam in 1957, the writer undertook a survey of professional organization and practice in various parts of the Free World. Appreciation is expressed to those who offered material on their societies and information concerning national accounting standards.

International meetings in all professional fields have become part of the normal pattern since 1945; but there is something deeper, more significant, than social intercourse which draws accountants together. It is the desire to ensure the widest possible exchange of principles and procedures, and to work toward the achievement of international auditing and financial reporting standards which advance the finance and enterprise of both mature and underdeveloped countries. It is essential that there be greater freedom to practise accounting throughout the world. The removal of barriers to the free passage of, and practice by, accountants should be an aim of all professional accounting societies.

Professional Accountant's Vital Role

In spite of the fear of restrictive laws, exchange control and expropriation, the encouragement of venture capital is especially important at the present time. The professional accountant has a vital role in overseas finance and company management, but probably insufficient attention has been devoted to this role in current publications. Some time ago the President of the New York Stock Exchange and the editors of *The Economist* and *Fortune Magazine* singled out the diversity of accounting standards in the Free World as a serious obstacle to the international flow of private investment capital.

Commercial treaties negotiated in recent years by the United States Government with a number of countries include clauses providing for the free passage of accountants, auditors and other technicians into the territories of the signatories for the purpose of making examinations and investigations

on behalf of their own nationals. For example, treaties with Denmark, Greece, Israel and Japan, ratified by the United States Senate in 1953, contained provisions to guarantee the right of American business interests abroad to employ accountants and auditors of their own choice.

At the 1926 International Congress, Sir Albert W. Wyon declared: 'As trade is said to "follow the flag", so will accountancy inevitably follow the growth of international commerce and finance.' Yet Sir John Somerville, when President of The Institute of Chartered Accountants of Scotland, warned at that body's centenary celebration (1954): 'In many countries overseas the doors are shutting and the traditional outlets for Scottish chartered accountants are tending to become fewer.'

International Barriers

Serious impediments arise, however, where restrictions based on nationality or residence are imposed, and they are not in the best long-term interests of the country which imposes them. Experience in the United States, for instance, was for Americans to learn principles and procedures from British chartered accountants who crossed the Atlantic in the 1880s and the 1890s to audit the accounts of British-owned enterprises. In a short time thereafter, British partnerships were established in various cities of the United States. Later these partnerships were converted to American ownership and local firms of professional accountants were formed.

The important issue today is that practitioners in every part of the world should recognize the necessity of removing international barriers to practice, irrespective of whether these barriers are erected by dissimilarity of language, custom or code. Over the years, the international aspects of practice have been fostered by the staffs of the large accounting partnerships which have true colonizers in every corner of the globe, bringing their specialized talents and high ethical standards to the solution of local auditing and business questions. Far too little has been written about the pioneers of accountancy. Even today, almost nothing is available concerning the problems of establishing an overseas practice, such as those arising from the need to train nationals and integrate them with staff members recruited abroad to work in unsatisfactory or unfamiliar conditions, and to sustain the best traditions of the accounting profession. These experiences are buried in the files of international firms; especially the story of the development of uniformity of standards and policies by these firms over the last seventy-five years.

The American Institute of Certified Public Accountants maintains a Committee on Foreign Affairs 'to promote international goodwill and exchange among accountants throughout the world, and to encourage freedom of movement of accountants and auditors across national boundaries'. In a pamphlet entitled *Accounting for International Trade and Investment*, prepared by this committee, it is stated in unequivocal terms that accountants should be permitted to practise wherever their clients' businesses require them to do so, and that any curtailment of this freedom constitutes a hindrance to international trade and investment.

Disclosure in Accounts

The listing of foreign shares on American stock exchanges can make an important contribution to the movement of United States capital abroad. However, one impediment to listing is the necessity of enforcing full disclosure of company financial data.

In Italy, for instance, sound accountancy is frequently distorted today by the desire to avoid taxation; this attitude stems from the fact that Italian taxes are almost confiscatory. Costs are padded on the theory that, although not all of them will be allowed, prudence suggests that they be reported at as high a level as possible. Some Italian companies maintain three sets of books – one for the tax collector, one for public stockholders, and one for owners and inside managers.

There is a widespread practice of concealing assets in France from both the Government and the public by carrying properties on company books at only a fraction of their present values – a practice made easier by continuing inflation. In Germany, where the need for capital has risen since the war, in many cases profits were reported not just after normal depreciation but after investment in new plants with a resultant underestimation of earnings. Though it is to be hoped that the new German company legislation outlined by Wirtschaftsprüfer R. J. Niehus in *The Accountant* of April 28th, 1962, when enacted, will remedy this.

Many European companies do not provide consolidated data for the assets and profits of their subsidiaries. Dividends from subsidiaries are shown on the books, but these may or may not be based on earnings, and the amount paid into the parent company is discretionary. Another accounting problem which is relevant to listing of foreign shares on the New York Stock Exchange relates to statements of sales and earnings. In France, Germany, Italy and the United Kingdom the statement of sales and cost of sales is not obligatory. Much remains to be accomplished to achieve certain objectives in accounting and auditing, especially relative to companies with shares traded in on the large stock exchanges of the world. The flow of capital must be encouraged to all parts of the Free World.

Enlargement of the range of the professional accountant's and his client's viewpoint from the parochial to the international is increasingly important in rapidly shifting international trade. This topic is the motivating force behind a series of articles on comparative professional accountancy in some other countries which will appear in subsequent issues of *The Accountant*.

Weekly Notes

JENKINS COMMITTEE REPORT

LAST week we announced that the report of the Jenkins Committee on Company Law was in the hands of Mr Erroll, President of the Board of Trade, and that its publication was imminent. In a parliamentary reply on June 8th (reproduced on another page) Mr Erroll stated that the report will, in fact, be published on June 21st. The report and the Committee's recommendations will be reviewed in our issue of June 30th.

COST ACCOUNTANTS' NEW SYLLABUS

STARTING with the June 1964 examinations, The Institute of Cost and Works Accountants will inaugurate a new syllabus the main feature of which is that the present Intermediate, Final and Management Accountancy examinations will be replaced by a five-part examination. In the existing syllabus, an applicant for associate membership must have passed the Final examination and an applicant for fellow membership must have passed the examination in Management Accountancy. Under the new regulations, applicants for either associate or fellow membership must have passed all five parts of the syllabus.

As before, practical experience will continue to be an essential prerequisite of membership – three years practical acquaintance with cost accountancy for associates and five years in a responsible position in management accountancy for fellows. Finally, the Preliminary examination of the Institute will cease after June 1963, and thereafter applicants for registration as students must produce evidence that they have passed an examination equivalent to G.C.E. standards with passes at 'O' levels in five subjects including English and mathematics.

Full details of the changes are given in an informative booklet entitled *Syllabus and General Information*, available from the offices of the Institute at 63 Portland Place, W1. The principal effects of the reconstruction will be to widen the scope of the test in financial accounting and to bring management accountancy and taxation (as far as it applies to industrial undertakings) more prominently into the curriculum.

TASKS FOR 'NEDDY'

IF the mere statement of problems contributes in any degree to their solution, then the National Economic Development Council is already making progress. At its second main business session last week the Council formulated nine main topics for examination, more especially with the object of ascertaining the conditions favourable to economic growth. The nine subjects upon which material is to be prepared by Government departments, universities and the National Institute of Economic and Social Research are as follows: balance of payments; saving and investment; technological change; demand; regional problems; manpower and management; taxation, and public expenditure. Private individuals will also be invited to give their views on these matters.

Nobody expects quick results from 'Neddy', but a consideration of the above subject headings suggests that if the Council is really going to devote itself to examining all these issues, it is going to work for a long time with little result. Of course, there are still gaps in our knowledge of these issues, but the main problems of the United Kingdom economy are sufficiently evident to enable 'Neddy' to begin considering policy. As a start there are the problems of restrictive practices and incomes, to mention only two. There seems to be a real danger that 'Neddy' may be diverted from its professed function of breaking the log-jam of our economic difficulties and develop into just another economic information bureau. Any council with its membership representing diverse and conflicting interests, as is the case with the N.E.C.D., can nearly always agree on study topics. The test will come when some policy has to be formulated on the basis of those studies. In the meantime we can but wait and hope.

THE ACCOUNTANT'S IMAGE

OUR amiable contemporary *Punch*, in the course of some light-hearted thoughts last week on *The Accountant* Annual Awards, directed a dart at the accountancy profession in general for 'having kept its public image so private'. Accountants, it asserts, simply don't exist except as dim Dickensian shades on high stools. Now this observation is about as untrue and unfair as would be the counter-assertion that *Punch* has not changed at all since the days of Dicky Doyle and George Du Maurier and these comparisons need not be carried further.

What should be noted, however, is that although accountants are habitually reticent about their activities, both public and private, as befits professional men, the good deeds they do in this naughty commercial world often project if not a glare at least a glow, and it is surprising that so percipient an observer of current affairs as Mr J. B. Boothroyd, the writer of the article, should not have long since recognized the modern version of the species even by this modest light. Any obscuration of the image must in this case then clearly (or rather darkly) lie in the eye of the beholder; but we cannot help thinking that his air of wondering innocence – characteristic of regular *Punch* writers in their subjective weekly musings – is wholly assumed. If it is not, then it is just as well that Mr Boothroyd is not intended to be taken seriously.

COMMON MARKET DEBATE

'THERE has been more public discussion of this issue in the Press, on the radio, on television and by every other means than there has been about any other single issue in British politics since the war.' Thus commented Mr Heath on the issues of Britain's application to join the Common Market, and in view of the continued uncertainty and even ignorance on the basic issues, last week's debate in the House of Commons was both interesting and informative. Whether it deserved the flattering remarks on its quality made by Mr Silverman and Mr Brown is another matter. The one vital point to emerge is that as yet the country is as far from being in a position to decide its policy, on what is probably the most important issue of the century, as it was two years ago.

Mr Heath was at pains to stress the care with which each separate controversial point was being discussed between himself and the E.E.C.; Commonwealth interests were being urged, as were those of British agriculture, while textiles and fishing would not be forgotten. The Commons debate was agreeable in tone, for the simple reason that there was nothing contentious to debate. Each member could state his own views subject to qualifications of his own making. Whether, when later this year the Government lays before the House the terms upon which the United Kingdom is offered admission to the club, the debate will be so quiet is another matter. For the time being the majority of voters must, in the broadest sense of the term, be 'fence-sitters'. In the meantime the Conservative Party is doing its best to inform the electorate of what is at stake. A new booklet[1] contains approved answers to some sixty-five questions on the Common Market, and possibly reflecting the mood of the electorate, most of the questions are critical and even hostile. However, this is the way to stimulate public debate and on this score the booklet is to be welcomed.

HIGHER PORT CHARGES

LAST week's announcement by the Port of London Authority of big rises in London port charges draws attention to a field in which British industry may be at a serious disadvantage if the United Kingdom joins the European Common Market, namely the high cost of loading and unloading ships at many British ports. Dutch manufacturers, for example, believe that bulk cargoes can be loaded and unloaded at Rotterdam very much more quickly and cheaply than at British ports and this was true before the recently announced increases.

The main reason for the increases in P.L.A. charges, which come into force early in July, is, of course, to meet the cost of the recent pay award to dock workers, but the proposed increases appear to be higher than was generally expected ranging, from 7 per cent on rates for discharging vessels to 19·3 per cent for hire and use of plant. There will be a rise of 17·5 per cent in the charges for vessels using P.L.A. docks and in river navigation dues. Total rates and charges on goods for shipment are expected to rise by about 15 per cent.

[1] *Common Market: Questions Answered.* Conservative Research Dept, 24 Old Queen St, London SW1. 9*d*.

GROWTHMANSHIP

THE target of 4 per cent growth per annum announced by the National Economic Development Council 'can be described in no other terms than as a most irresponsible piece of growthmanship on the part of the Government and official thinkers'. Such is the opinion of Mr Colin Clark, whose paper *Growthmanship*, published last March in the 'Hobart' series of the Institute of Economic Affairs (*The Accountant*, March 25th, 1961), has just been reprinted and expanded.[2] The main thesis of the paper was that much of our investment was ill-directed and, far from conducing economic growth, by straining our limited resources to the point of inflation actually retarded expansion.

In a postscript Mr Clark reiterates this view and stresses that in so far as much of our current investment is not labour-saving, while that which is may not be allowed to operate effectively because of restrictive practices, the best solution to Britain's difficulties is to import labour. For this reason he criticises the Immigration Bill and hopes that entry into the European Economic Community will induce labour to come to Britain, just as the increased competitive conditions within the Common Market will reallocate the labour supply in favour of the most efficient industries.

Mr Clark rejects the view that the apparent success of recent French and Japanese economic policy is the direct result of planning as such. In any case, France has continued to experience rising prices and devalued the franc in 1958. For these reasons, Mr Clark is sceptical of the likely benefits to be derived from 'Neddy' unless, as has been so often argued in this journal, competitive forces are allowed to provide the sorely needed stimulus to efficiency.

BUILDING SOCIETIES REPORT

PART 5 of the report for 1961 of the Chief Registrar of Friendly Societies dealing with Building Societies published last week (H.M.S.O., price 4*s* 6*d*) records that during the year the total assets of all societies increased by £270 million to £3,436 million. The corresponding increase in the previous year was £259 million. The amount of £620 million received by way of subscriptions to share and deposit capital and loans (excluding bank loans and advances from H.M. Government) was £36 million more than in 1960; withdrawals at £522

[2] *Growthmanship* (Second edition). Hobart Paper No. 10. Institute of Economic Affairs, 66A Eaton Square, London SW1. 6*s* net.

million, however, rose by £50 million. With the addition of interest, share, deposit and loan capital increased by £203 million compared with an increase of £206 million in 1960. The average rate of interest on shares was 3·54 per cent and 6·28 per cent on mortgages as against 3·37 per cent and 5·89 per cent respectively than in the preceding year.

The amount of £546 million advanced on mortgages was £14 million less than in 1960 (the record year to date) the average amount advanced being £1,500. The year ended with 2,425,000 borrowers holding 2,455,000 mortgages, the average mortgage debt standing at £1,170.

The report refers to additions to and removals from the list of societies designated for the purposes of section 1 of the House Purchase and Housing Act, 1959, and to the extension of the powers of trustees to place trust funds in such societies. Two orders were made during the year under section 6 of the Building Societies Act, 1960, prohibiting the societies concerned from accepting further investments. Directions were made under section 7 of the same Act in respect of three societies, prohibiting the issue of advertisements by those societies. An account of these proceedings is included in the report.

A list of the banks designated as ones in which building societies are authorized to place their funds forms Appendix I to the report and the notes issued for guidance in completing the form of annual return are reproduced as Appendix II.

This is My Life . . .

by An Industrious Accountant

CHAPTER 128

OFFICE managers, being characters who normally work in close harmony with the accountants, are accordingly worthy of close and sympathetic study. Our own O.M. is a case in point. For years an austerely-minded bachelor, happy in his snug little flat with his library and his TV, he has found himself almost swamped by the tidal wave of his approaching nuptials. There were the mornings when he arrived at the office with his fingers swathed in plaster ('put up a shelf in the kitchen last night'), or limping painfully ('there's more to fixing pelmets than you'd think'). Finally, I told him to borrow a couple of our carpenters on the Q.T.

He had an obvious short struggle with his conscience, but yielded when he had to get his forehead stitched ('never realized there could be so many pipes in a bathroom'). There's nothing like marriage for teaching humility to these autocrats; the most expert manager must defer to the handyman in technical matters.

We gave him a great send-off finally. The directors presented him with a silver coffee-service; the staff with a refrigerator. We have a ceiling fixed for individual subscriptions in such cases, very properly, but it was pleasant to see how many of the outside employees volunteered to chip in also. The O.M. was really touched and could hardly speak in response.

His particular friends gave him a stag dinner at a remote hotel before seeing him off on the night train to the south, to his intended's home town. It was quite a session: Scotty, the sales manager, the engineer, a few accountants, departmental managers, myself . . . old feuds forgotten, best wishes and toasts to the future and lusty speeches . . . and a final souvenir.

With the fruit salad came a parcel bigger than a hat box, to be presented by Scotty who was in great form; all evening he had been vainly pressing the O.M. to sample Gaelic coffee, a lethal concoction like a tasty time-bomb, and drinking the rejects himself. The O.M. cut the string and rose to reply. He tore off the paper to reveal a similar parcel the size of a hat box; another attack disclosed another parcel slightly smaller. The party became hilarious.

By the time the parcel was down to cigar box size, the room was in turmoil. Paper and string littered the table and floor, the fat head waiter was nearly having hysterics, other noisy diners were flocking around us. The O.M. was crimson with embarrassment: he finally worked down to a slim cylinder which disgorged a beautifully chased gold pencil inscribed with his initials. He became so touched at this stage that he nearly took his first-ever drink of alcohol. Fortunately for him, Scotty had just finished both glasses.

The strains of 'Jolly good fellow' were raising the rafters when we noticed how the time was going and had to rush for the cars. Four of us piled into Scotty's. The O.M. drove, having seized the key on the plea that it was hardly fair to widow his bride before the wedding; the engineer sang a Welsh lament of piercing poignancy as we sped towards the little local station. It was dark and damp; the last train was already in sight; we all seized the O.M.'s assorted luggage and raced for the platform. We only just made it with a scramble. The O.M. leaned out through the window and waved and shouted incoherently as he was borne into the night; we roared appropriate messages after him.

The porter locked up and cycled off through the heavy downpour; we sat back comfortably in the car and waited for Scotty, now strangely silent and staring, to drive us home. It was quite a shock to realize that the excited O.M. had gone with the only key. That station was nearly a mile from the nearest town. I was wetter out than in before we got home.

Reviews

An Executor's Accounts and the Law Relating Thereto

Thirteenth edition by E. MILES TAYLOR, F.C.A., S. C. HOUGH, A.I.B., and O. GRIFFITHS, M.A., LL.B., Barrister-at-law. (Textbooks Ltd, Harpenden. 30*s* net.)

The fact that this familiar students' textbook has reached its thirteenth edition, is itself a very fair indication of its enduring value. The new edition is as useful as the earlier ones and the plentiful examples and reliable legal commentary are of obvious help to the student.

It deals with the changes introduced into estate duty since the last edition. In particular the Finance Act, 1959, changed the basis of the imposition of liability on life policy moneys and the new edition deals with the new rules, and gives practical examples. At the same time, treatment of the old rules has now been dropped. The new rules for rapid succession relief, introduced in 1958, are also dealt with.

The printing and binding are of excellent and serviceable quality and there is also that very essential aid to students, a good index. This also enables the book to be used as a quick-reference guide by practitioners, though obviously there is a limit to the depth reached by a work designed primarily to meet the needs of examinees.

A point which has escaped notice is that use of the designations 'F.C.A' and 'F.S.A.A.' together, following integration of the Society of Incorporated Accountants with the Chartered Institutes, is now out dated.

Book-keeping and Accountancy for Solicitors

Second edition, by P. HARRISON and A. G. HILLMAN, F.A.C.C.A. (Butterworth & Co (Publishers) Ltd, London, 50*s* net.)

The result of collaboration between a solicitor and an accountant should be excellent advice for the reader. As any business man knows, especially those who have had experience of the problems of setting up trusts and the like, the best results are only to be obtained by full consultation with and between both types of adviser. In spite of this, one occasionally comes across a sort of mutual suspicion between members of the two professions, and one greets with pleasure, therefore, the fruits of a collaboration that is obviously genuine and happy.

The arrangement of this book, intended for law students, is both novel and helpful. It consists in fact of two books, or rather volumes, joined together by a strip of cloth which, when both books are closed, becomes the back binding. Thus, both volumes – one with the text and the other with the accounts examples and index – may be opened at the same time, side by side. It is a convenient arrangement which could with advantage be used more often.

The book takes its reader through the rudiments of book-keeping for sole traders and partnerships, and the basic methods of interpreting final accounts to meet the needs of the proprietors and creditors or prospective purchasers; then deals rapidly (in seven pages) with companies, and proceeds to comment on balance sheets and to explain 'yields' and 'earnings' in evaluating company shares. All this, of course, is elementary to the accountant – some of it even naive – as for example the comment that if an increase in fixed assets values (on a company's balance sheet) included replacements, the 'reserve towards increased cost of replacements of fixed assets' should have been reduced. If, indeed, the purpose of that reserve was the conservation of funds for replacement costs over and above normal depreciation or amortization, surely one would be surprised if it *were* reduced (unless it was decided to capitalize some of the reserves as bonus shares).

For accountants, therefore, the 'meat' of the book will lie in chapters 13 to 17 (forty-two pages) and the examples (eighty pages) in the second volume, where the book really gets into its stride. It is well printed and the examples are detailed and clear.

Amerikanische Standardkostenrechnung

by Dr KARL WEBER. (Verlag P. G. Keller, Winterthur) (German text).

This scholarly book is quite unlike any other work on the subject of standard costing, although Professor David Solomons may be said to have anticipated it in *The Historical Development of Costing* (*Studies in Costing*, 1952). Dr Weber has endeavoured to trace the growth of the techniques used over the last forty years, and the twenty-three pages of bibliographical references give some indication of the thoroughness with which he has executed this task.

He is careful to point out the early work of Garcke and Fells in *Factory Accounts – Their Principles and Practice* (1887) and to cite the writings of H. Stanley Garry (in *The Accountant* of 1903) and Thomas Downie, jun., as evidence of the birth of the idea in Britain. Nevertheless, the major source used is the body of work published by the American National Association of Accountants (formerly the National Association of Cost Accountants) in their bulletins, articles and annual congress reports; hence the title of his book. The availability of this material draws renewed attention to the importance of accounting research, not as the publication of compromise opinions culled from practitioners, as is so often the case in Britain, but as objective fact-finding in the area of business management.

If any criticism of this book is warranted, it is that it shares – in common with most publications in its field – the weakness of a historical survey, and pointers for the future are not to be found. Thus,

no mention is to be found of the concept of direct standard costing (such as is expounded in Mr K. S. Most's recent book), which promises to relieve cost accountants of the complex and usually futile drudgery of overhead variance analysis.

A Textbook of Economics

Third Edition by J. L. HANSON. (Macdonald & Evans Ltd, London. 20*s* net.)

The appearance of a new edition of Dr Hanson's textbook underlines the popularity with many students of a textbook which within its covers compresses a mass of information covering the entire examination syllabus. The author gives the historical background where it is relevant, e.g. population and banking, and up-to-date statistics. Each chapter is rounded off by a selection of examination questions culled from a wide range of examining bodies.

Opinions among teachers of economics vary widely as to the desirability of this type of comprehensive text but the examination requirements of most professional bodies are so wide that such a book undoubtedly serves a great need. There will no doubt be future editions of this competent work.

The 1961 Income Tax Legislation in the Federation of Rhodesia and Nyasaland

by A. S. SILKE, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). (Juta & Co Ltd, Cape Town. £1 6*s* 6*d* net.)

This is a sixty-six-page booklet between semi-stiff covers which is divided into four parts. Part I sets out the rates of income tax and rebates for the year of assessment ended March 31st, 1961, with arithmetical illustrations. Part II expounds the changes made by the 1961 amendments to the Income Tax Act. Part III is devoted to taxation tables showing the precise tax bill for married and unmarried persons at selected income levels, for the year ended 31st March 1961. Part IV reproduces verbatim the text of the 1961 Taxation Legislation.

Schimmelpfeng European Register of Industry and Commerce

(Publishing & Distributing Co Ltd, 177 Regent Street, London, W1.)

This credit rating and market guide covers some 50,000 companies and individuals in western Europe. Such registers are a competitive field in the U.K., there already being several well-established registers of the kind. Like others, the new register is offered for a loan fee, remaining the property of the publishers. This again is common practice in cases where credit ratings are made available.

With 50,000 entries spread over sixteen countries (excluding the United Kingdom) the average number of entries per country is only just over 3,000, though there are, of course, likely to be considerably more for the larger countries. The register's appeal is to those requiring a credit rating on companies abroad.

This review is based on a sample volume which covers Austria, Denmark, Finland and France. Though the compilation is in English, and countries are arranged alphabetically, entries are listed by towns spelt in the local language: Copenhagen, for instance, appears under 'K'. We would have thought that in an English edition, there is a good deal to be said for keeping to English place spelling. Presumably arrangement by towns has been proved preferable for some reason, but this can be awkward for speed of reference if one does not know where a company's head office is situated. In a comparable United Kingdom compilation, how many would look immediately for Stewarts and Lloyds under Glasgow?

French alphabetical order, moreover, is a problem of its own and an introductory paragraph to the French section (and perhaps for some others) explaining the principles of arrangement adopted would have been helpful. The French have scant respect for correct company names, even their own at times.

The United Kingdom price of fifty-five guineas includes twenty-four credit reports free of charge for countries in the register and also twelve ratings free of charge for concerns not included, provided the company is in the publishers' international archives.

RECENT PUBLICATIONS

KEY TO MUNRO'S BOOK-KEEPING AND ACCOUNTANCY. 302 pp. 7½×5. 18*s*. Sir Isaac Pitman & Sons Ltd, London.

THE COMPLETE GUIDE TO PERSONAL INVESTMENT, by P. J. Naish. 5½×8½. 256 pp. 21*s* net. Evans Brothers Ltd, London.

BUSINESS ECONOMICS AND STATISTICS, by A. J. Merrett and G. Bannock. 5½×8½. 271 pp. 42*s* net. Hutchinson & Co (Publishers) Ltd, London.

DEATH DUTY MITIGATION, by H. D. Argent. vii+237 pp. 9×6. 35*s* net. Business Publications Ltd, in association with B. T. Batsford Ltd, London.

THE PRINCIPLES OF PRODUCTION CONTROL, by John L. Burbidge, A.M.I.MECH.E., M.I.PROD.E., M.B.I.M. xxi+473 pp. 9×6. 50*s* net. Macdonald & Evans Ltd, London.

MANAGERIAL ACCOUNTING FOR SMALL BUSINESS, by John D. Dale. ix+181 pp. 7½×5½. 40*s* net. Reinhold Publishing Corporation, New York: Chapman & Hall Ltd, London.

A GUIDE TO OPERATIONAL RESEARCH, by Eric Duckworth, F.R.S.S., A.I.S. 145 pp. 9×5½. 20*s* net. Methuen & Co Ltd, London.

THE DIRECTORY OF OPPORTUNITIES FOR QUALIFIED MEN, 1962. 176 pp. 9×5½. 8*s* 6*d* net (9*s* 3*d* post free). Cornmarket Press Ltd, London.

STUDIES IN AN INFLATIONARY ECONOMY: THE UNITED KINGDOM, 1948–1961, by Professor F. W. Paish, M.C., M.A.(Cantab.), ix+336 pp. 9×6. 45*s* net. Macmillan & Co Ltd, London.

FACTORS IN ECONOMIC DEVELOPMENT, by Professor A. K. Cairncross. 352 pp. 9×6. 35*s* net. George Allen & Unwin Ltd, London.

LINDLEY ON THE LAW OF PARTNERSHIP, *twelfth edition*, by Ernest H. Scamell, LL.M. clii+949 pp. 10×6½. £10. Sweet & Maxwell Ltd, London.

THE EXPORT TRADE: The Law and Practice of International Trade, *fourth edition*, by Clive M. Schmitthoff, LL.D. (Lond.), LL.D.(Berl.), M.I.EX. xxxii+469 pp. 10×6½. £3 5*s* net. (U.K. only). Stevens & Sons Ltd, London.

Finance and Commerce

Complications

A FURTHER glimpse of the complications that have followed from the Jasper affair is seen in the reprint this week of the accounts of Reliable Properties Ltd, which is now under a board of six with Sir Dingwall Bateson, a Past President of The Law Society, as chairman, and with three chartered accountant members. The auditors' report points out that 'no provision has been made in these accounts for possible liability for the bank loan of £500,000 referred to in Note 1 (*b*), nor for any resulting loss which may be irrecoverable'.

Note 1 (*b*) explains that on August 24th, 1959, a cheque for £500,000 was drawn on the company's bank account in favour of Harewood & Co. The bank debited this cheque to the company and took as security, deeds and documents relating to leasehold properties of the company's subsidiary.

The company contends that the drawing of this cheque and the application of the proceeds were unauthorized and that the security given to the bank was invalid. Proceedings to establish the rights and claims of the company and its subsidiary arising out of these transactions were commenced by a writ issued in the Queen's Bench Division of the High Court, on May 16th, 1961.

Accordingly, the accounts exclude the transactions which are the subject of the writ, and the whole of which, the note affirms, are repudiated by the company and its subsidiary.

Premium

The premium paid on the acquisition of shares in a subsidiary represents the excess of the cost to the company (viz. £667,370 paid in cash *plus* costs) of the subsidiary's capital over its net assets taken at book value at acquisition date. The cost of the shares was equal to the total of the professional valuation of the subsidiary's leasehold properties and furniture and fittings at the time of the acquisition in June 1959, *plus* the stamp duty on the share transfers. The subsidiary, it is stated, is a property-dealing company and its net profits on realizations will be liable to tax. For this reason, the directors are unable to express an opinion as to the value of the premium.

No provision has been made for taxation in respect of any property transactions as the partial realizations to date are regarded as being reduction of the original

RELIABLE PROPERTIES LIMITED

BALANCE SHEET as at 30th June, 1961

1960 £			£	£
	SHARE CAPITAL			
	Authorised and Issued			
600,000	2,400,000 Shares of 5s. each, fully paid			600,000
52,377	**CAPITAL RESERVE**			52,377
	REVENUE RESERVE			
35,411	Profit and Loss Account			35,607
687,788				687,984
	CURRENT LIABILITIES			
9,232	Bank Overdraft (Secured)		15,293	
65,522	Amount owing to Subsidiary		153,988	
2,875	Sundry Creditors and Accrued Charges		1,449	
657	Current Taxation		37	
78,286				170,767
£766,074				£858,751

1960 £		£	£
	SHARES IN SUBSIDIARY		
680,718	At Cost (Note 6)		680,718
	CURRENT ASSETS		
748	Sundry Debtors and Prepayments	747	
919	Income Tax Recoverable	2,419	
46,898	Bank Balance (Note 3)	111,677	
48,565			114,843
36,791	**SUSPENSE ACCOUNT** (Note 4)		63,190
£766,074			£858,751

DINGWALL L. BATESON
HUGH T. NICHOLSON } Directors.

The Annexed Notes form part of these Accounts

RELIABLE PROPERTIES LIMITED
AND ITS SUBSIDIARY COMPANY
CONSOLIDATED BALANCE SHEET as at 30th June, 1961

1960 £	£		£	£
		SHARE CAPITAL		
		Authorised and Issued		
600,000		2,400,000 Shares of 5s. each, fully paid		600,000
52,377		**CAPITAL RESERVE**		52,377
		REVENUE RESERVE		
35,411		Profit and Loss Account		35,862
687,788				688,239
		PROVISION TOWARDS FUTURE INCOME TAX		
—		1962/63 (Note 5)		7,500
		CURRENT LIABILITIES		
	9,232	Bank Overdraft (Secured)	15,293	
	6,310	Sundry Creditors and Accrued Charges	7,464	
	19,345	Current Taxation (Note 5)	36,939	
34,887				59,696
		The annexed Notes form part of these Accounts.		
£722,675				£755,435

1960 £	£		£	£
259,114		**LEASEHOLD PROPERTIES** At cost [Notes 1 (a) and (b)]		200,347
329,868		**PREMIUM PAID ON ACQUISITION OF SHARES IN SUBSIDIARY** (Notes 2 and 5)		329,868
		FURNITURE AND FITTINGS		
	20,615	At Cost	20,818	
	5,154	*Less* Depreciation	10,359	
15,461				10,459
2,944		**SECOND MORTGAGES** (granted to Purchasers of Flats)		9,761
		CURRENT ASSETS		
	29,027	Sundry Debtors and Prepayments	12,910	
	—	Short Term Loan	10,500	
	919	Income Tax Recoverable	2,419	
	46,898	Balances at Bank (Note 3)	114,328	
76,844				140,157
		Holding Company £111,677		
		Subsidiary Company 2,651		
		£114,328		
		SUSPENSE ACCOUNT		
38,444		(Note 4)		64,843
£722,675				£755,435

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the Year Ended 30th June, 1961

1st January, 1959 to 30th June, 1960 £	£		£	£
1,735		**Directors' Fees**		1,398
1,500		*Director's compensation on termination of agreement*		—
524		**Auditors' Remuneration**		510
5,154		**Depreciation of Furniture and Fittings**		5,205
44,879		**Profit for the year before taxation, carried down** .. (Including £441 (*1960: £14,072*) dealt with in the Holding Company's Accounts)		31,451
£53,792				£38,564
		Provision towards Taxation on the Profits to date (Note 5)		
	5,453	Profits Tax	5,000	
		Income Tax		
		1960/61 .. .. £13,000		
		1961/62 7,000		
		1962/63 6,000		
	19,721		26,000	
25,174				31,000
850		*Profit of Subsidiary prior to acquisition*		—
10,781		*Interim Dividend of 10% less income tax in respect of period to 7th April, 1959*		—
13,851		*Expenses of Formation and Issue of Shares*		—
8,617		*Amount capitalised by Issue of Shares*		—
		Balance carried forward		
	35,411	Holding Company	35,607	
	—	Subsidiary	255	
35,411				35,862
£94,684				£66,862

1st January, 1959 to 30th June, 1960 £	£		£
9,993		*Trading Profit to 7th April, 1959 (whilst trading as Anglo-French Phosphate Co. Ltd.)*	—
36,311		**Net Income from Properties**	38,188
381		*Dividends Receivable*	—
7,107		**Interest Receivable**	376
£53,792			£38,564
44,879		**Profit for the year before taxation, brought down**	31,451
34,106		**Balance brought forward from the previous period**	35,411
15,699		*Provision for Taxation no longer required*	—
£94,684			£66,862

cost. The group's taxation position is under discussion with the Inland Revenue and has not been agreed since the subsidiary started trading in 1959.

The parent balance sheet, it will be noted, carries a bank balance of £111,677 – but the amount is held by the bank as collateral security which is challenged.

Suspense

The suspense account of £63,190 represents two cheques for £8,750 and £4,000 paid to Harewood & Co in 1959, and £50,440 bank interest and charges paid in connection with the £500,000 bank loan. A further £1,653 of Harewood & Co indebtedness in respect of property transactions produces the £64,843 in suspense in the consolidation. The directors are not able to express an opinion as to the value of this account and all the transactions are still under inquiry.

At the meeting, Sir Dingwall said the proceedings in connection with the £500,000 were still *sub judice* and the action had not yet reached the Courts. The board, he said, was unable to pursue a policy of selling the properties because the deeds were held by the bank. But management of the properties through agents continued.

Group profits, said Sir Dingwall, had been substantially affected by special taxation provisions required during the first years of the subsidiary's trade because the first year's profits provided the basis for assessing tax for the first three fiscal years. The appropriate amounts had been shown separately in the profit and loss account, but the company's taxation affairs were 'extremely complex'.

Under these circumstances the accounts, as we said at the beginning, offer hardly more than a 'glimpse' of the situation.

RELIABLE PROPERTIES LIMITED AND ITS SUBSIDIARY COMPANY

REPORT OF THE AUDITORS
TO THE MEMBERS OF RELIABLE PROPERTIES LIMITED

Attention is drawn to the Notes [below] which contain material reservations concerning the annexed Accounts.

We have audited the annexed Balance Sheet and subject to the reservations in the Notes, have obtained all the information and explanations which we considered necessary. In our opinion proper books have been kept and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account.

No provision has been made in these Accounts for possible liability for the bank loan of £500,000 referred to in Note 1 (b) nor for any resulting loss which may be irrecoverable. Subject to this remark and to the reservations in the Notes, in our opinion the Balance Sheet and Consolidated Accounts comply with the requirements of the Companies Act, 1948, and give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 1961, and of the profit of the Group for the year ended on that date.

121, Queen Victoria Street,
London, E.C.4.
1st May, 1962.

BINDER, HAMLYN & CO.,
Chartered Accountants.

NOTES ON THE ACCOUNTS

1. (a) **Leasehold Properties**
No provision has been made for amortisation of the leases all of which have 72 years or more to run.
(b) **"Cheque for £500,000"**
On the 24th August, 1959, a cheque for £500,000 was drawn on the Company's bank account in favour of Harewood & Co. The Bank debited this cheque to the Company, and took as security Deeds and documents relating to leasehold properties of the Company's Subsidiary.
The Company contends that the drawing of this cheque and the application of its proceeds were unauthorised and that the security given to the Bank is invalid.
Proceedings to establish the rights and claims of the Company and the Subsidiary arising out of these transactions have been commenced by a writ issued in the High Court of Justice, Queen's Bench Division, on the 16th May, 1961.
Accordingly, the Accounts exclude the transactions which are the subject of the writ, and the whole of which are repudiated by the Company and the Subsidiary.

2. **Premium.** Excess of the cost to the Company (viz. £667,370 paid in cash plus costs) of the share capital of the Subsidiary over the net assets of the Subsidiary taken at book values as at date of acquisition. (See Note 6.)
The Subsidiary is a property dealing Company and its profits less losses on realisations over and above the cost of its properties will be liable to taxation and for this reason the Directors are not able to express an opinion as to the value of the premium.

3. **Bank Balance.** The Company's bank balance of £111,677 is held by the bank as collateral security which is challenged.

4. **Suspense Account.** The items included under this heading comprise the following:—

1960 £		£
	Harewood & Co.	
8,750	Amount paid by cheque, 12th August, 1959	8,750
4,000	Amount paid by cheque, 11th September, 1959	4,000
24,041	**Bank interest and charges** paid in connection with the bank loan of £500,000 referred to in Note 1 (b) above	50,440
36,791	**Parent Company's Balance Sheet**	63,190
	Harewood & Co.	
1,653	Indebtedness in respect of property transactions	1,653
£38,444	**Consolidated Balance Sheet**	£64,843

The Directors are not able to express an opinion as to the value of this account and all the transactions are still under enquiry.

5. **Taxation.** No provision has been made for taxation in respect of any property transactions as the partial realisations to date are regarded as being in reduction of the original cost. The taxation position of the Group is under discussion with the Inland Revenue and has not been agreed since its Subsidiary commenced to trade in 1959.

6. **Shares in Subsidiary.** The cost of the shares was equal to the total of the professional valuations of the leasehold properties and furniture and fittings of the Subsidiary at the time of acquisition in June, 1959, plus the stamp duty paid on the transfers of the shares.

CITY NOTES

THE overall mood of stock-markets still seems to be largely one of 'wait and see'. That is particularly true of the situation on Wall Street. With a clear picture of what a break on this centre can do to London markets, investors naturally have more than a weather eye on the American centre.

Politics continue to play quite an important part. The disenchantment with the Government evidenced at recent by-elections, and some vague talk of a snap election some time before the present administration's term runs its course, all produce uncertainty.

Meanwhile, however, two opposing ends of the market show up well. British funds continue to have an investment following, buyers seeing certain capital appreciation plus yield in good dated issues, while on the other hand gold shares are still being bought, not only as a hedge against the American situation but also on more favourable news from South Africa.

It remains to be seen how long the present uneasy mood will last, but all the time company results tell of reduced profit margins, and emphasize the difficulty of off-setting rising costs – particularly wages – investment will naturally remain selective and any recovery is likely to be somewhat tender.

RATES AND PRICES

Closing prices, Wednesday, June 13th, 1962

Tax Reserve Certificates: interest rate (28.4.62) 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

April 6	£4 7*s* 4·62*d*%	May 11	£3 19*s* 8·71*d*%
April 13	£4 6*s* 8·54*d*%	May 18	£3 17*s* 1·04*d*%
April 19	£4 5*s* 4·31*d*%	May 25	£3 16*s* 3·81*d*%
April 27	£4 1*s* 0·54*d*%	June 1	£3 15*s* 7·98*d*%
May 4	£4 1*s* 9·72*d*%	June 8	£3 15*s* 0·28*d*%

Money Rates

Day to day	2⅞–3¾%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	3$\frac{15}{16}$–4%
Fine Trade Bills		3 months	3$\frac{15}{16}$–4%
3 months	5½–6%	4 months	3$\frac{15}{16}$–4%
4 months	5½–6%	6 months	3$\frac{15}{16}$–4$\frac{1}{16}$%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·80$\frac{11}{16}$–$\frac{13}{16}$	Frankfurt	11·22–¼
Montreal	3·06–⅜	Milan	1743¼–¾
Amsterdam	10·12¼–½	Oslo	20·03¼–½
Brussels	139·66¼–¾	Paris	13·75¾–·76¼
Copenhagen	19·34¼–½	Zürich	12·11¾–·12¼

Gilt-edged

Consols 4%	63$\frac{11}{16}$	Funding 3% 59–69	84½
Consols 2½%	40$\frac{7}{16}$	Savings 3% 60–70	81$\frac{9}{16}$
Conv'sion 5¼% 1974	91$\frac{11}{16}$	Savings 3% 65–75	72⅛
Conversion 5% 1971	91¼xd	Savings 2½% 64–67	88⅛
Conversion 3½% 1969	87$\frac{9}{16}$	Treasury 5½% 2008–12	90¼
Conversion 3½%	55$\frac{13}{16}$	Treasury 5% 86–89	84
Exchequer 5½% 1966	100$\frac{11}{16}$	Treasury 3½% 77–80	70⅝
Funding 5½% 82–84	90$\frac{15}{16}$xd	Treasury 3½% 79–81	71
Funding 4% 60–90	88⅜	Treasury 2½%	40$\frac{5}{16}$
Funding 3½% 99–04	60$\frac{7}{16}$	Victory 4%	96⅞
Funding 3% 66–68	87⅜	War Loan 3½%	55½

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for the opinions expressed.

How to Decimalize the Currency

SIR, – I whole-heartedly support The Association of Certified and Corporate Accountants' recommendation for a one hundred-penny unit. This support is based on personal experience of decimalizing British currency on a similar basis. In the early 1930s I worked as an accountant in Trinidad where the British West Indies dollar of one hundred halfpennies was in common use. At that time the legal currency was British £ *s d*; £1 and 10*s* notes circulated simultaneously with bank-notes for multiples of British West Indies dollars of one hundred halfpennies (or cents, as halfpennies were known locally) and the coins in use were British silver and bronze.

Shop prices, wages and fares were all quoted in British West Indies dollars and cents (i.e. halfpennies), but shop assistants had no difficulty in using British coinage and giving change for it. Accounts were mostly kept in British West Indies dollars but £ *s d* was also used for invoices etc., relating to external transactions and for all Government business. Locally recruited account clerks had no difficulty in rapid conversion of amounts in £ *s d* into British West Indies dollars for making entries in the books nor in converting local dollars to £ *s d*. All these things should be even easier using a hundred-penny unit instead of a one hundred-halfpenny unit.

Since those days, the British West Indies dollar has become the legal currency there, and decimal scale coins have been introduced, but my experience showed clearly that the one hundred-penny unit can be introduced side by side with £ *s d*; can be run in conjunction with it without inconvenience and then can take over from it completely. No real problem arises from the use of old-style coins with the new unit nor, given a little practice, is there any difficulty in associating amounts in £ *s d* with amounts in one hundred-penny units or vice versa.

Yours faithfully.

H. W. FISHER, F.C.A.

London WC2.

Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

Jarrold v. John Good & Sons Ltd

In the High Court of Justice (Chancery Division)
May 25th, 1962
(Before Mr Justice PENNYCUICK)

Income tax – Capital allowances – Machinery or plant – Initial allowance – Annual allowance – Movable partitions in office – Whether plant – War Damage Act, 1943, sections 6 (1) (a), 103 (5) – Income Tax Act, 1952, sections 271, 279, 280.

The respondent, a shipping agent, had a departmentalized business, and the number of employees working in each department varied from time to time. In addition, the gain or loss of an agency involved the setting up of a new department or the closing of an existing one. It was a commercial necessity that the respondent's office accommodation should be flexible, so that the section devoted to any particular department could be increased or diminished as occasion required.

The respondent owned and occupied a steel-frame building, part of which was used as a warehouse and part as offices. Pursuant to his instructions the architect planned a large open floor space in the office part, in which partitioning could be erected in order to sub-divide the space as required. The partitioning consisted of metal ribs with insets of hardboard sheeting and with doors and windows, and the partitioning was screwed to the floor and ceiling, but was not fixed laterally to the building. To extend or diminish the size of any room the partitioning was detached from the floor and ceiling and moved and re-fixed at the place required for adjusting the size of the room. These adjustments could be made by the respondent's normal maintenance staff.

The respondent contended that the partitioning was plant for the purposes of Chapter II of Part X of the Income Tax Act, 1952; and that the cost of the partitioning, £5,618 13*s* 3*d*, qualified for the initial allowance given by section 279 and for the annual allowance given by section 280. The appellant contended that the partitioning was neither machinery nor plant within the meaning of those sections, in that it was part of the building in which the respondent's business was carried on, and not part of the apparatus used in the building. The General Commissioners decided in favour of the respondent.

Held: the General Commissioners' decision was correct.

INTERNATIONAL FISCAL ASSOCIATION

United Kingdom Branch

The report of the United Kingdom Branch of the International Fiscal Association for 1961–62 which was presented at the annual general meeting of the Branch held in London recently, states that membership during the year again showed a further increase.

Annual Congress

A delegation of ten members including the Chairman, Mr A. G. Davies, LL.B., attended the 1961 annual congress at Jerusalem (reported in *The Accountant* of 23rd September 1961). British national reports were made by Mr D. Davidson, A.C.A., and Mr S. H. Robinson, B.COM.(LOND.), F.C.A.

Branch Meetings

During the year, seven discussion meetings were held. At the first of these meetings Mr Davidson gave an account of the Israeli Congress. This was followed by a paper dealing with the 1962 congress to be held in Athens in September next, entitled 'Fiscal problems arising in relation to international investment companies or investment trusts', by Mr R. T. Esam. Other meetings were addressed by Dr Van Hoorn, Jun. (The harmonization of fiscal policy in the Common Market); Professor G. S. A. Wheatcroft (Discussion upon a recently decided case); Mr H. Hudson (Some aspects of Anglo-American fiscal relations); Mr G. R. East, C.M.G. (Variations in United Kingdom comprehensive double taxation agreements from the general pattern); Mr M. H. Bresch, LL.B. (A critical examination of some leading United Kingdom tax cases upon the subject of contingent liabilities); and Mr Taylor-Gooby ('As it seems to me'; some reflections on the Revenue approach).

Attendance at discussion meetings has been extremely good and it is hoped to develop this feature of branch activities. In furtherance of this development it is proposed to hold a tax seminar in the autumn.

1962 Congress

The annual congress will be held in Athens this year from September 10th to 14th. The two subjects for discussion will be 'Fiscal problems arising in relation to international investment companies or investment trusts' and 'Fiscal régime on import and export of merchandise'.

Branch Officers

Mr Charles V. Aston, F.C.A., continues to be President of the Branch.

Mr A. G. Davies was re-elected Chairman and the following were elected to serve on the committee: Mr Douglas A. Clarke, LL.B., F.C.A., Mr A. Dale, F.A.C.C.A., Mr R. T. Esam, Mr C. D. Hellyar, F.C.A., Mr H. J. Hinves, F.C.I.S., Mr E. J. Offord, F.A.C.C.A., Mr D. E. Richards, Mr H. Ward, A.A.C.C.A., and Professor G. S. A. Wheatcroft.

Mr Donald I. Main, F.C.A., of Messrs Pannell, Crewdson & Hardy, 9 Basinghall Street, London EC2, was re-elected honorary secretary from whom further details of activities of the Branch may be obtained.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

Election of President and Vice-President

At special and ordinary meetings of the Council held on Wednesday, June 6th, 1962, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr P. F. Granger, President, in the Chair; Mr P. F. Carpenter, Vice-President; Messrs J. F. Allan, W. L. Barrows, T. A. Hamilton Baynes, H. A. Benson, C.B.E., Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., G. G. G. Goult, L. C. Hawkins, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., R. B. Leech, M.B.E., R. McNeil, J. H. Mann, M.B.E., W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, J. E. Talbot, A. G. Thomas, A. H. Walton, V. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., Sir Richard Yeabsley, C.B.E.

ELECTION OF THE PRESIDENT

The President: Gentlemen, the first item on the agenda of the ordinary meeting is to elect a President and Vice-President for the ensuing year. I call upon Sir Thomas Robson.

Sir Thomas Robson: It is my privilege today to be one of the last to address you as 'Mr President', for in a few minutes from now you will have joined those of us who as past Presidents have watched with admiration your conduct in the chair and the way in which you have represented the Institute to the world outside. (*Hear, hear.*)

The days are past when the senior past president would have made a long speech in nominating your successor in the presidency. My duty is to come straight to the point, make some brief comments and ask leave for my seconder to give his tribute to the member whose name I will submit for consideration by the Council.

The Council will not be surprised when I formally propose, as I shall shortly do, that your Vice-President, Mr Percy F. Carpenter, be elected President of the Institute for 1962–63. (*Hear, hear.*)

In proposing his election as Vice-President last year Mr Donald House extolled Mr Carpenter's virtues, qualities and general suitability for the office and gave a summary of his career and his previous work for the Institute. The passage of one further year has merely enhanced his qualifications. We have seen him in action and are fully satisfied that he is in every respect ready and fitted to preside over our deliberations and to represent us in all our external relations, particularly in this year of the International Congress at which he will be the leader of our delegation.

I see that Mr Carpenter passed his Final examination and was admitted to membership of the Institute at the same time as I was myself. He has borne his load of forty years with equanimity and distinction and I have no doubt that, if you elect him as President, he will bear equally well the additional strain of occupying the chair from which all the past Presidents have been so proud to guide the Council.

To him I tender our sincere good wishes and promises of support and I now formally submit the proposition which with your permission will be seconded by Mr Montgomery Williams. (*Applause.*)

Mr J. C. Montgomery Williams: Mr President, I am very happy indeed to be afforded the privilege of seconding the resolution which has just been proposed by Sir Thomas Robson, and I hope it does not sound presumptuous for me to say that I heartily endorse all his comments.

As Mr Donald House remarked when proposing Mr Carpenter's election to the Vice-Presidency last year, it is true to say that he has been continuously a member of some committee or other connected with the Institute's affairs for over forty years. He was elected to the committee of the Students Society of London in 1921, becoming its chairman two years later; and subsequently acted as Hon. Secretary to the Union of Students Societies, whilst he was the first chairman of the London and District Society of Chartered Accountants. He was elected to the Council in February 1947, and since then, gentlemen, he has served on new fewer than twelve of its committees and I have no doubt on numerous sub-committees also, and has acted as chairman or vice-chairman of at least four of them, while for five years he was concurrently a member of the Taxation and Research Committee. Furthermore, he has been nominated to represent the Institute on a number of committees dealing with matters of national importance in the realms of education and commerce. Mr Carpenter has, in addition, numerous outside interests, such as being a Fellow of the Royal Statistical Society, Under-Warden of the Guild of Freemen of the City of London, and a Liveryman of the Worshipful Company of the Makers of Playing Cards. Mr Carpenter is also an Honorary Fellow of the Zoological Society of London.

But, gentlemen, it is not so much for what Mr Carpenter has done in the past as to what we know he is capable of doing in the future, and I say this with the happiest confidence, that we are about to honour him today. I know, as you all know, that he will preside over our deliberations here, and also represent us elsewhere, particularly, as Sir Thomas Robson has said, at the International Congress in New York, with the wisdom, dignity and charm of personality which he has shown in such abundance as our Vice-President and which makes us all so very proud to serve under him. Mr President, it is with the greatest possible pleasure that I second the resolution that Mr Percy Frederick Carpenter be elected President of the Institute for the ensuing year. (*Applause.*)

The motion was carried with acclamation.

Mr Carpenter was then invested with the badge of office, took his seat in the Chair and said:

Sir Thomas, Mr Montgomery Williams, I should like to thank you first of all for the very kind words you have used in proposing my election.

Gentlemen, you have today paid me a very great honour which is in fact the highest honour the members of a profession can give to one of their number.

It would be untrue to say that this is the fulfilment of a life's ambition. I indeed wonder how it has come about. I have now for more than forty years served continuously on one Committee or another connected with the Institute, and I was, I think, fortunate in serving my articles in an office which was always very Institute minded. I also feel I owe a great deal to my father and my elder brother, both of whom were members of the Institute and who both passed on at a comparatively early age.

I was talking to one of our members recently who in some ways I think was typical of our membership, and he told me that he had never taken any active part in Institute

affairs, but that he had always been very proud to be able to call himself a chartered accountant because of the very high standards which the Institute had always maintained. I think that as a Council we merit that compliment, and I feel that in these days when there is a tendency to a lowering of standards, both in public and private life, and where so often expediency takes the place of principle, it is one of the duties of the professions, including our own, to help in the maintenance of standards.

I think the Council can look forward to an interesting and busy year. Apart from our domestic affairs, we have in the international field, the Congress in New York this autumn, and the preparations for the European Congress to be held in Edinburgh in the autumn of 1963. It may well be that we shall also be concerned more and more with the problems of the Common Market.

In home affairs we shall be taking part in the National Productivity Year; we expect that the report of the Jenkins Committee will give us food for thought.

Coming now to our domestic affairs, our ordinary business will continue to include looking after the interests of our 35,000 members, together with some 15,000 articled clerks; we shall have our examinations, our two Summer Courses, our public relations, our library, to say nothing of the matters which the Parliamentary and Law Committee will be putting forward out of the score or so items they have, and always seem to have, under current consideration; the further consideration and implementation in whole or in part of the report of the Education and Training Committee; the Small Practitioner inquiry; the report of the Technical Activities Committee, the Committee on Relations with the Universities, and our Building Development.

I think it is clear from a mere recital of these matters that no one would willingly accept the office of President if he were not assured of the help and support of all his colleagues on the Council.

I think we should remind ourselves from time to time that a resolution to appoint a committee or a subcommittee or even the actual setting up of a committee, does not in itself achieve very much, if anything. It is only when the committee has reported and action taken, or even a decision reached to take no action, that any progress is made, and with many of the difficult problems we have to face this must necessarily involve a very considerable amount of thought and consideration often over a lengthy period.

Our Secretary is retiring in a few months' time, but I am confident that he has built up an organization which will be able to carry the heavy burden which they will have to face during the coming year.

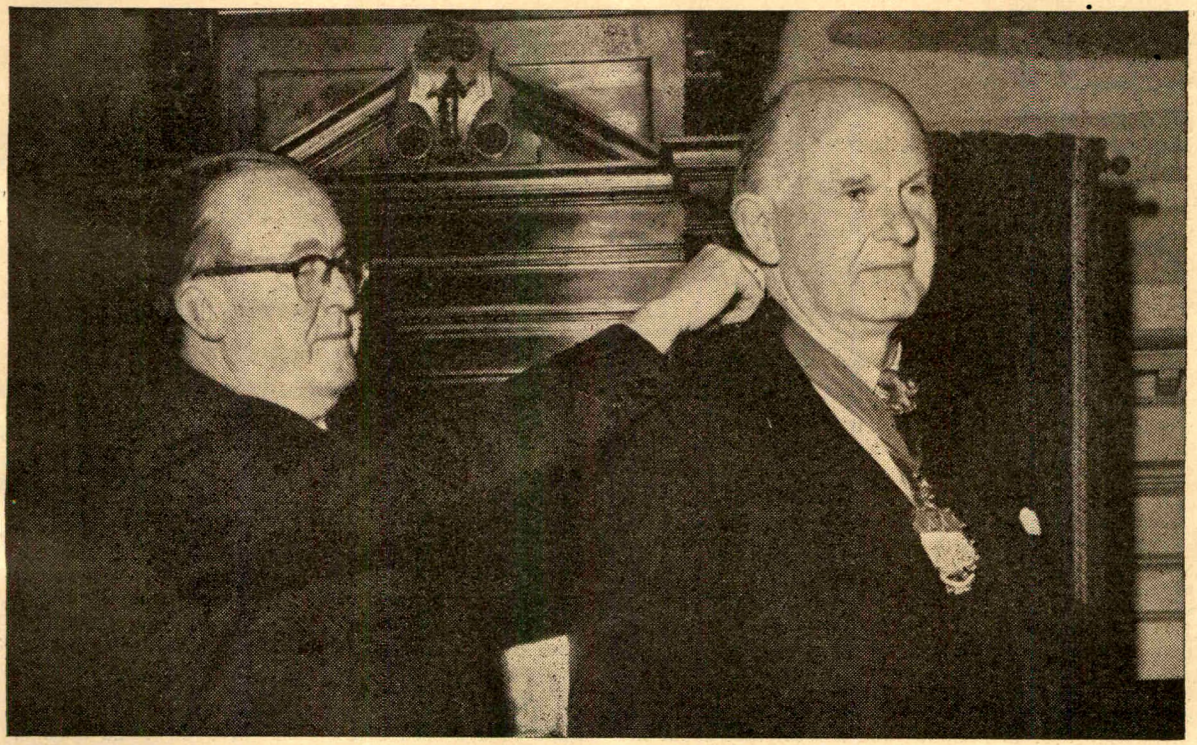
I should like to acknowledge the great help I have had during the past year from my own partners and staff, and which I know will be forthcoming in the future. I hope I may be forgiven if I trespass for a moment on someone else's ground, but I should like to thank Paul Granger and Mrs Granger for the many kindnesses I have received from them. I thank you all. (*Applause.*)

ELECTION OF VICE-PRESIDENT

The President: The next item on the agenda is the election of the Vice-President. I call upon Sir William Carrington.

Sir William Carrington: Mr President, gentlemen, we are enjoined by the Book of Common Prayer that marriage is not to be entered upon lightly and I suggest that a like care and caution should be envisaged in regard to the appointment of a Vice-President of this Institute. No task falling upon the Past Presidents is treated more seriously than that of deciding who shall be proposed for this important office – a bad choice could have such far-reaching consequences whilst a good one can do so much to maintain and enhance the status of the profession and the prestige of the Institute.

The name I am to submit for your consideration is that of one whom I have no hesitation in commending to your full support. It is of one who hails from a part of the country that may be regarded as one of the best breeding grounds for distinguished presidents – you have already heard one of its products this morning in the person of Sir



Mr Percy F. Carpenter, F.C.A. (*right*), is installed as President of the Institute for the ensuing year by Mr Granger, the retiring President

Thomas Robson. My nomination is that of our good friend and colleague Robert Pearson Winter whose record of service to his country, his county and city and to this Institute are such as to identify him most clearly as a man of great courage and integrity who throughout his career has placed service before self.

He was born in 1897, educated at Mill Hill, articled to his father in September 1914, on war service from September 1st, 1915, to February 11th, 1919, during which period he served in France, Belgium and Italy and was awarded the Military Cross for services in the battle of the river Piave in 1918. After that hectic interruption to his articles the then young Winter returned to his father's office in Newcastle upon Tyne and proceeded to qualify by passing his Final examination in November 1920. By 1940 he was President of the Northern Society of Chartered Accountants, which office he held until 1942 and again in 1951; this denotes service of no mean order to his district society.

In 1952 came election to this Council and since then Robert Winter has served on the Applications Committee of which he is presently chairman, and on the District Societies, Library, Disciplinary and General Purposes Committees so that he has had that good all-round experience of the work of this Council and its committees which is one qualification required of a Vice-President of this Institute. Robert Winter also possesses the other requisite qualifications; he has a record of distinguished service to the County of Northumberland and the City of Newcastle which I think may be referred to in great detail by a subsequent speaker, and above all he has a modest and charming personality which endears him to all who have the privilege of being associated with him.

It is therefore with very real pleasure that I propose that Mr Robert Pearson Winter, C.B.E., M.C., T.D., F.C.A., be elected Vice-President of this Institute for the ensuing year. (*Acclamation.*)

Mr M. Wheatley Jones: Mr President, I have very great pleasure in seconding the resolution which Sir William Carrington has just proposed, that Mr Robert Pearson Winter be elected our Vice-President for the coming year.

Sir William has referred in proper detail to Mr Winter's career in this profession and to his services on this Council. He has also mentioned more briefly his war services, but I think I should tell you that Mr Winter's military career has lasted almost as long as his career in the profession. He commanded his regiment from 1934 to 1938 and was a member of the staff for the following four years until 1942, and he is still chairman of the Territorial Auxiliary Forces Association in Northumberland. But that is not all; his services to his native Northumberland have been truly prodigious. He has been a Justice of the Peace since 1948 and Deputy-Lieutenant of the County since 1953; and he still finds time to maintain an interest in boys' clubs, and given his active help to quite a wide range of charities.

Mr President, those of us who have been privileged to serve on committees with Mr Winter know that quiet and unassuming manner masks but by no means hides very great ability, I feel sure that if elected he will make a worthy and charming successor to those very distinguished men who have already held this high office, and it is with full confidence as well as pleasure that I second the resolution. (*Applause.*)

The motion was carried by acclamation.

Mr Winter: Mr President, gentlemen, I must first thank you for the very great honour which you have done me in electing me Vice-President of the Institute, and I would especially thank Sir William Carrington and Mr Wheatley Jones for proposing and seconding my nomination, and for the very kind things they said about me.

As you have heard, I come from the far north and it has been a very great privilege and an experience to serve on this Council during the last ten years. I have learned a lot about the workings of the Council and a great deal about my profession, and now today you have thought fit to elect me to this high office, and I feel very proud and not a little humble. Proud because I like to think that in honouring me you are honouring my own district society to which I owe quite a lot; and humble when I think of those eminent members of Council who are my predecessors in this chair, and I remember my own limitations.

Well, gentlemen, all I can say is I will try my best to justify the confidence you have placed in me and to you, Mr President, may I offer my own congratulations and wish you a very happy and successful year. It will be a great privilege to serve under you and carry out any duties which you may delegate to me. Thank you. (*Applause.*)

Vote of Thanks to the Retiring President

Mr W. G. Densem: Mr President, gentlemen, I have today the pleasant task to perform of moving a vote of thanks to the retiring President, but may I first add my congratulations to you, Mr President, and to you, Mr Vice-President, and wish you both health, happiness and success in your periods of office. It is a privilege to be allowed to express on behalf of the members of the Council something of the regard and affection which we all have for Paul Granger.

This last year has been a heavy one and at times a difficult one. Important matters have been concluded and others initiated and much valuable spade-work done.

During the past two years as Vice-President and then as President, Mr Granger has not shirked the many calls upon his time and energies. Throughout he has displayed the dignity, innate courtesy and sensibility so characteristic of successful holders of high office.

His kindliness and approachability have been very helpful in strengthening links with members as they have found him an understanding listener.

Our grateful thanks are due to Mrs Granger for her gracious presence at many functions. I hope Mr Granger will convey our thanks to her.

I now move that a hearty vote of thanks be accorded to Mr Granger for his valuable services to our Institute as President and I ask Mr Russell to second this motion. (*Acclamation.*)

Mr J. D. Russell: Mr President, I welcome this invitation to second the vote of thanks to Mr Granger. May I first, sir, offer you my congratulations on your appointment and to the Vice-President on his appointment. I wish you the very best of good fortune for the coming year.

It is, though, to the past year that I have been asked to refer and in many different ways 1961–62 has been a memorable one for many of us, but under Mr Granger's presidency the whole Institute has surely had as happy a time as any of us can remember. This has been due not only to the skill and wisdom with which he has guided our affairs but to his warmth of feeling. His efficiency is matched by kindliness and understanding not only for the younger members here but in the country as well.

Mr President, I have much pleasure in seconding this vote of thanks and I have no doubt it will be carried by acclamation. (*Applause.*)

Mr P. Granger: Mr President, I would also like to congratulate Mr Winter on being elected Vice-President. He will have a very happy time with you.

You feel at the end of a year as President as if you had been put through a mangle and have emerged rather straightened, but two things arise. One is gratitude and the other is pride. This Institute is a great Institute, there is no doubt about that, and it is a very proud thing to have been at the head of it for one year. The other thing is the very great kindness you meet wherever you go, and this is what I include in the gratitude, not only from members of the Council but from district society committees and their members, their articled clerks – altogether it has been a wonderful year.

I conclude by thanking you all for the help you gave me while I have been in the chair, in Council and outside. Nobody can do this job without that help. I would also

like to thank Alan MacIver and all the members of the staff in whatsoever capacity they act for the help they also gave. Thank you also for the remarks about my wife and thank you all as members of the Council for entrusting me with such a wonderful job. (*Applause.*)

The Stock Exchange, London

The Council approved, for issue in due course for insertion in the *Members' Handbook*, a statement regarding the responsibilities resting upon accountants under the revised Rule 79A of the Stock Exchange, London.

Church of St Margaret, Lothbury, London EC2

The Council approved of a donation of fifty guineas being made by The Chartered Accountants General Charitable Trust towards the cost of essential renovations to the Church of St Margaret, Lothbury. The Institute's annual church service will be held there on Wednesday, July 4th, 1962, at 12.45 p.m.

Appointments to Committees

The following Committees were appointed for the year 1962–63:

President ex officio *member of all Committees other than the Disciplinary and Investigation Committees.*

Vice-President ex officio *member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.*

Applications

E. Baldry, G. T. E. Chamberlain, C. Croxton-Smith, G. G. G. Goult, J. S. Heaton, R. B. Leech, E. N. Macdonald, R. McNeil, J. H. Mann, R. G. Slack, A. G. Thomas, V. Walton, M. Wheatley Jones, R. P. Winter, E. K. Wright.

Articled Clerks

J. F. Allan, T. A. Hamilton Baynes, J. H. Bell, H. O. Johnson, H. L. Layton, R. P. Matthews, Bertram Nelson, C. U. Peat, R. G. Slack, V. Walton, M. Wheatley Jones, E. F. G. Whinney.

Consultative Committee of Members in Commerce and Industry

J. Ainsworth, C. W. Aston (c), J. Cartner (t), E. M. Clayson (c), J. Clayton, E. Hay Davison, S. Dixon, W. F. Edwards (c), W. W. Fea, H. P. Finn (c), L. C. Hawkins, P. D. Irons (c), Sir Joseph Latham (c), A. H. Proud (t), J. C. Walker (c), F. J. Weeks, and the Chairman or Vice-Chairman of the General Purposes Committee.

(c) Co-opted members.

(t) Nominated by Taxation and Research Committee.

Disciplinary

E. Baldry, W. L. Barrows, T. A. Hamilton Baynes, Sir William Carrington, D. A. Clarke, Sir Harold Gillett, J. H. Mann, R. P. Matthews, Bertram Nelson, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter.

District Societies

J. F. Allan, J. H. Bell, G. T. E. Chamberlain, C. Croxton-Smith, G. G. G. Goult, P. F. Granger, H. O. Johnson, R. B. Leech, R. McNeil, J. H. Mann, R. P. Matthews, F. E. Price, J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, J. C. Montgomery Williams, R. P. Winter, E. K. Wright.

Examination

T. A. Hamilton Baynes, P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, E. Hay Davison, W. G. Densem, J. Godfrey, J. S. Heaton, D. V. House, J. A. Jackson, R. McNeil, J. E. Talbot, A. H. Walton, V. Walton.

Finance

J. Ainsworth, W. L. Barrows, J. H. Bell, Sir William Carrington, D. A. Clarke, J. Clayton, S. Dixon, Sir Harold Gillett, L. C. Hawkins, H. L. Layton, R. P. Matthews, F. E. Price, J. D. Russell, A. H. Walton, F. J. Weeks, J. C. Montgomery Williams.

General Purposes

W. L. Barrows, H. A. Benson, Sir William Carrington, Sir Harold Gillett, P. F. Granger, W. H. Lawson, R. McNeil, S. J. Pears, C. U. Peat, L. W. Robson, Sir Thomas Robson, M. Wheatley Jones, R. P. Winter, Sir Richard Yeabsley, and the Chairman or Vice-Chairman of the Finance Committee, the Investigation Committee, the Parliamentary and Law Committee, and the Consultative Committee of Members in Commerce and Industry.

Investigation

C. P. Barrowcliff, C. Croxton-Smith, W. G. Densem, D. V. House, J. A. Jackson, S. J. Pears, L. W. Robson, J. E. Talbot, J. C. Montgomery Williams.

Library

T. A. Hamilton Baynes, J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, J. Godfrey, G. G. G. Goult, J. S. Heaton, H. O. Johnson, R. B. Leech, F. E. Price, E. F. G. Whinney.

Overseas Relations

W. L. Barrows, Sir William Carrington, D. A. Clarke, W. G. Densem, W. H. Lawson, H. L. Layton, R. G. Leach (c), W. E. Parker, S. J. Pears, Sir Thomas Robson, Sir Richard Yeabsley, and the Chairman of the Parliamentary and Law Committee.

(c) Co-opted member.

Parliamentary and Law

H. A. Benson, Sir William Carrington, J. Clayton, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, W. H. Lawson, R. G. Leach (c), E. N. Macdonald, W. E. Parker, S. J. Pears, Sir Thomas Robson, D. Steele, J. E. Talbot, F. J. Weeks, E. K. Wright.

(c) Co-opted member.

Public Relations

J. F. Allan, J. Clayton, Sir Harold Gillett, C. U. Peat, E. F. G. Whinney, E. K. Wright, and the Chairman of the General Purposes Committee, the Articled Clerks Committee, the District Societies Committee, the Finance Committee and the Consultative Committee of Members in Commerce and Industry.

P. D. Leake

W. L. Barrows, Bertram Nelson, D. Steele, E. F. G. Whinney.

Relations with the Universities

P. F. Carpenter, Sir William Carrington, E. Hay Davison, S. Dixon, J. S. Heaton, J. A. Jackson, Bertram Nelson, R. G. Slack, A. H. Walton, E. K. Wright.

Summer Course

T. A. Hamilton Baynes, P. F. Carpenter, W. W. Fea, J. S. Heaton, D. V. House, J. A. Jackson, E. N. Macdonald, J. H. Mann, A. G. Thomas, A. H. Walton.

London and District Society of Chartered Accountants

The following members were appointed by the Council to serve on the Committee of the London and District Society of Chartered Accountants for the ensuing year:

D. V. House, J. H. Mann, J. D. Russell.

Taxation and Research Committee

The following Council appointees on the Taxation and Research Committee were appointed for the year 1962–63:

G. R. Appleyard, L. H. Clark, S. M. Duncan, W. F. Edwards, R. W. Foad, J. W. Margetts, G. P. Morgan-Jones, J. Perfect, D. W. Robertson, C. Romer-Lee, J. G. Vaughan, J. A. P. Whinney.

Registrations of Articles

The Secretary reported the registration of 173 articles of clerkship during the last month, the total number since January 1st, 1962, being 1,022.

Admissions to Membership

The following were admitted to membership of the Institute:

Dean, William John, A.C.A., *a*1962; Pale Farm House, Chipperfield, Kings Langley, Herts.

Knowles, John Edgar, A.C.A., *a*1962; 29 Jubilee Avenue, Whitton, Twickenham, Middlesex.

§Ross, Grant Bannerman, A.S.A.A., *a*1962; 1 Sunnyside, Rennie Place, Berea, Durban, South Africa.

Fellowship

The Council acceded to applications from thirteen associates to become fellows under clause 6 of the supplemental Royal Charter.

F.S.A.A.

The Council acceded to applications from two incorporated accountant members A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Adams, John Gilbert, B.SC.(ECON.), A.C.A., *a*1961; W. Munro & Co, 7A Abbey Walk, Grimsby.

Alderson, William Ian Rudd, A.C.A., *a*1957; W. T. Walton & Son and Basil L. Denton & Co, 3/7 Scarborough Street, West Hartlepool and at London; also at Liverpool, W. T. Walton & Son, and Stockton-on-Tees, W. T. Walton, Son & Rowland.

Allott, Peter William, B.A.(ECON.), A.C.A., *a*1960; R. W. Allott & Co, 1 South Terrace, Moorgate Street, Rotherham, and at Worksop.

Appleton, George Furness, A.C.A., *a*1957; Harmood-Banner, Cash, Stone & Mounsey, 24 North John Street, Liverpool 2.

Bains, Norman, A.C.A., *a*1959; 83 Strathmore Crescent, Newcastle upon Tyne 4.

Barker, Trevor, A.C.A., *aS*1957; *Dean & Barker, Hill House, Middleham, Leyburn and High Street, Leyburn, Yorkshire.

Barnett, Gerald Nelson, A.C.A., *a*1956; 23 Moresby Road, Upper Clapton, London E5.

Batten, Noel Haydn, A.C.A., *a*1960; Batten & Co, 27 Kirkstone Road West, Liverpool 21.

Batty, Edward, A.C.A., *a*1957; J. F. W. Robinson & Co, Oxford Chambers, New Oxford Street, Workington, Cumberland, and at Whitehaven.

Bell, Maurice Allen, A.C.A., *a*1961; *Fisher, Bell & Co, Richmond House, Fore Street, Teignmouth.

Bowen, William Glyndwr, B.SC.(ECON.), A.C.A., *a*1956; Roe, Potter & Bowen, Westgate Chambers, Commercial Street, Newport, Mon.

Brooks, Brian Norman, A.C.A., *aS*1956; Howell & Hanbidge, 5 Hounsfield Road, Sheffield 3.

Brown, Robert Alfred George, A.C.A., *a*1959; Roberts, Marsden & Co, 17 Carlton Crescent, Southampton.

Brunsden, Peter John, A.C.A., *a*1960; Davies, Watson & Co, 52 Belgrave Road, London SW1.

Burchell, Jeremy Joseph Benjamin, A.C.A., *a*1961; 68 Grove Hall Court, Hall Road, London NW8.

Cawley, John Edward, F.C.A., *a*1932; *Lancaster & Tongue, 73 Lombard Street, Birmingham 12, and at Solihull and Sutton Coldfield.

Chard, Ernest James, F.C.A., *a*1948; Whittaker, Bailey & Co, 3 Portland Street, Southampton.

Cohen, Harry, A.C.A., *a*1962; Harry Cohen & Co, 200 Southend Road, Woodford Green, Essex.

Collins, Bryan, A.C.A., *a*1961; Richard Ormond, Son & Dunn, 24 Windsor Terrace, Jesmond, Newcastle upon Tyne 2.

Collins, Peter Leslie Robert, F.C.A., *a*1951; 41 Debden Road, Saffron Walden, Essex.

Cope, Kenneth, A.C.A., *a*1958; Bartfield & Co, 10 Butts Court, Leeds 1, and at London.

Cullingham, James David Herbert, B.A., A.C.A., *a*1962; Wright, Fairbrother & Steel and Gladstone, Jenkins & Co, 42 Bedford Avenue, and 9 Bedford Square, London WC1.

de Putron, Ronald Anthony, A.C.A., *a*1962; Black, Geoghegan & Till, 10 Lefebvre Street (P.O. Box 20), Guernsey.

Evemy, John Kenneth, A.C.A., *a*1952; A. C. Mole & Sons, Stafford House, 10 Billetfield, Taunton.

Fedrick, William John, A.C.A., *a*1956; Jeffreys, Alfred Henry & Marks, 10 Coleman Street, London EC2.

Foster, Colin, B.COM., A.C.A., *a*1955; Rushton, Toulmin & Foster, 31 Winckley Square, Preston.

Franklin, Howard William, A.C.A., *a*1954; Harmood-Banner, Cash Stone & Mounsey, 24 North John Street, Liverpool 2.

Goulder, Patrick Renshaw, A.C.A., *a*1960; *Sheen, Stickland & Co, 4 Downing Street, Farnham, Surrey, and at Alton.

Hall, Stephen Roderick, A.C.A., *a*1962; Hereward, Scott, Davies & Co, Barclays Bank Chambers, 159 Stoke Newington High Street, London N16, 3 St Helen's Place, London EC3, and Hillside House, 2–6 Friern Park, Finchley, London N12.

Hannah, Peter Roebuck, A.C.A., *a*1954; 230 Perry Road, Sherwood, Nottingham, and at Minstead, Hants.

Harris, Raymond Ian, A.C.A., *a*1962; 13 Redding Close, Mill Hill, London NW7.

Harrison, Arthur Geoffrey, A.C.A., *a*1958; Messenger, Powell & Co, 36 St Ann Street, Manchester 2.

Hawkins, (Mrs) Susan Elizabeth, A.C.A., *a*1953; 35 Kidbrooke Park Road, Blackheath, London SE3.

Heal, John Harris, M.A., A.C.A., *a*1956; W. W. Beer, Aplin & Co, 17 Southernhay West, Exeter.

Henshaw, John, B.COM., A.C.A., *a*1962; Bee, Henshaw & Co, 18 Regent Street, Park Row, Nottingham.

Herring, David, A.C.A., *a*1960; Knowles, Herring & Co, 4 Chapel Walks, Manchester 2.

Hunter, Charles David, A.C.A., *a*1962; Hunter & Gee, 16 Gillygate, York.

Hough, Frederick John, A.C.A., *a*1961; Latham & Taylor, Martins Bank Chambers, Market Place, and 35 King Street, Wigan.

Jacques, Ivan, A.C.A., *a*1962; 16 Richmond Terrace, Blackburn.

Johnson, Michael, A.C.A., *a*1954; Wright, Fairbrother & Steel, 9 Bedford Square, and 42 Bedford Avenue, London WC1.

Johnston, Graham George Fleming, A.C.A., *a*1961; John Mitchener, Bennett & Co and *Mitchener, Fogarty & Co, 58 The Avenue, Southampton.

Jones, Digby Morgan, A.C.A., *a*1955; Wenham, Major & Clarke, Dickens House, 15 Took's Court, London EC4, and 14 Gray's Inn Square, London WC1; also at Birmingham and Walsall.

Jordan, Lawrence Arthur Ward, A.C.A., *aS*1954; Keens, Shay, Keens & Co, 11 George Street West, Luton, and at Leighton Buzzard, London and Stony Stratford.

Keens, Peter Philip, A.C.A., *a*1960; Keens, Shay, Keens & Co, 1A Mill Lane, Stony Stratford, and at Leighton Buzzard, London and Luton.

Kelley, Peter David, A.C.A., *a*1961; Ault & Co, York House, 38 Great Charles Street, Birmingham 3.

Kirkham, William Wade, A.C.A., *a*1961; Howell & Hanbidge, 5 Hounsfield Road, Sheffield 3.

Ledger, Idris Richard, A.C.A., *aS*1952; Read & Thomson, 6 Woodcote Road, Wallington, Surrey.

Levison, Julian Philip, A.C.A., *a*1959; *Jones, Schwartz, Fine, Kane & Co, P.O. Box 1640, Salisbury, Southern Rhodesia.

Macnamara, Patrick Carroll, M.A., A.C.A., *a*1954; Kemp, Chatteris & Co, St Swithin's House, Walbrook, London EC4, and at Blackpool, Bristol, Manchester and Port Louis, Mauritius.

Middle, John Roderick, B.A., A.C.A., *a*1962; Folkes & Campbell, 15–17 Church Street, Stourbridge, Worcs.

Milton, Derek John, A.C.A., *aS*1955; 3 Queensway, Hazlemere, High Wycombe, Bucks.

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a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Mollett, Charles Sylvester, A.C.A., *aS*1953; Black, Geoghegan & Till, 10 Lefebvre Street (P.O. Box 20), Guernsey.

Naganathan, Maruthappah, A.C.A., *a*1952; *Hulugalle & Wikramanayake, 29, 2/11 Gaffoor Buildings, (P.O. Box 113), Colombo 1.

Naylor, Colin, A.C.A., *aS*1955; Bartfield & Co, 10 Butts Court, Leeds 1, and at London.

Norwood, Michael Clutterbuck, A.C.A., *a*1957; J. M. Herring & Co, 26 Silver Street, Durham City.

Page, Edward Hugh, A.C.A., *a*1962; Bailey, Page & Co, A4 Queen Assurance Buildings, 10 Dale Street, Liverpool 2.

Palmer, Peter Frederick, F.C.A., *aS*1949; Guy Wood & Palmer, 39 High Street, Battle, Sussex.

Palmer, Sidney, A.C.A., *a*1958; Hull, Palmer & Co, Borough Chambers, St Petersgate, Stockport.

Plumb, John Edward, A.C.A., *a*1961; 17 Brampton Road, May Bank, Newcastle, Staffs.

Preston, Roger Colquhoun, B.COM., A.C.A., *a*1952; Amherst & Shapland, 10 Holloway Street, Minehead, Somerset, and at Wellington, Somerset; also at Wiveliscombe.

Pritchet, William Henry, A.C.A., *aS*1955; *Burgess, Burgess & Co, 7 Commercial Road, Swindon.

Railton, Gerard Percy, F.C.A., *a*1934; 1 Clark Street, Tauranga, New Zealand.

Reaves, Kenneth David, A.C.A., *a*1962; Reaves & Co, 49 Vine Street, Coventry.

§Rockall, David John, A.S.A.A., *a*1962; 19 Ferndale Road, Weston Favell, Northampton.

Rush, Peter Joyce, A.C.A., *a*1955; Harmood-Banner, Cash, Stone & Mounsey, 24 North John Street, Liverpool 2.

Sargon, Abraham Ferris Joseph, A.C.A., *a*1961; A. Sargon & Co, 43 Linthorpe Road, London N16.

Scott-Brown, Robin Christopher, A.C.A., *a*1962; A. J. Eacersall & Co, 66 High Street, Sevenoaks, Kent.

Silver, Robert Jim, A.C.A., *a*1962; 13 Alexandra Grove, Finchley, London N12.

Smith, Graham Hurndall, A.C.A., *a*1958; †Armitage & Norton Martins Bank Chambers, Tyrrel Street, Bradford 1.

Smith, Thomas Desmond, A.C.A., *a*1962; A. B. Plevey & Co, 11A Tettenhall Road, Wolverhampton, and at Bewdley.

Spargo, Kenvyn, A.C.A., *a*1954; Ralph Burford & Son, 7 St Andrew's Crescent, Cardiff.

Squires, Richard Anthony, A.C.A., *a*1957; H. H. Sherwood & Co, York House, 38 Gt Charles Street, Birmingham 3, and at Tamworth.

Stew, David John, A.C.A., *a*1961; Norman W. Stew, Critchley & Co, 37 Market Square, Witney, Oxon.

Stoppard, Peter, A.C.A., *a*1960; Robert C. Bennett & Co, 5 Marsh Street, Bristol 1.

Sunderland, Roy, A.C.A., *a*1958; Walter Harrison & Son, 2 Fountain Street, Manningham Lane, Bradford 1.

Taylor, John Edward, A.C.A., *aS*1956; Frank A. Cooper & Co, 21 Copthall Avenue, London Wall, London EC2.

Thomas, John Noel, A.C.A., *a*1960; Deacon & Co, Lloyds Bank Chambers, Greyfriars Lane, Coventry.

Thompson, Douglas, F.C.A., *aS*1951; Surman, Leat, Phillips, Gale & Co, 31 King's Road, Sloane Square, London SW3.

Turner, Ian Rutherford, A.C.A., *a*1961; Nilston Rigg, Langley-on-Tyne, Hexham, Northumberland.

Vessey, John Frederick, A.C.A., *a*1960; *Beard, Shaw & Co, Carbon Chambers, 7B Hallgate, Doncaster.

Westall, Alan Jackson, A.C.A., *a*1958; Wm. Westall & Co, 32 Northumberland Street, Morecambe and Heysham.

Westcott, Christopher Leslie, A.C.A., *a*1962; C. L. Westcott & Co, 58 Willow Crescent, West Willowbank, near Uxbridge, Middlesex.

Whitley, Jack, A.C.A., *aS*1953; Morris & Harper, Lincoln Chambers, Banbury, Oxon.

Yates, Peter Charles, A.C.A., *a*1960; W. Rowland Waller & Co, 148 Temple Chambers, Temple Avenue, London EC4, and at Sheerness.

Admissions Void

The Secretary reported that the admission to membership of the following persons had become void under bye-law 41:

Agballah, Hyacinth Okoli Petrus, P.O. Box 18, Udi, Nigeria.

Moody, Peter Brian, B.A., 11 Alwyne Place, Canonbury, London N1.

Munir, Mohammad, 21 Chepstow Crescent, London W11.

Osborne, John Brian, 175 Westella Road, Westella, near Hull.

Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following re-admission, made at the Council meeting on May 3rd, 1962, subject to payment of the amount required, had become effective:

Evershed, Norman William, A.C.A., 244 London Road, St Albans, Herts.

Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Smith, Donald Ferguson, to Ferguson Smith, Donald.

Hodgson, Norman Alan, to Yerbury-Hodgson, Norman Alan.

Mainwaring, John David, to Mainwaring, John David Morgan.

Resignations

The Council accepted the resignations from membership of the Institute of:

Hummel, Harold Victor, M.C., E.D., B.SC.(ECON.), F.C.A., *a*1920; c/o D. M. W. Hummel, 205 Canada Permanent Building, Fort Street, Mt Douglas, Victoria, B.C., Canada.

Leithead, Frank Baillie, F.C.A., *a*1925; 9–10 Grange Terrace, Sunderland.

Deaths of Members

The Council received with regret the Secretary's report of the death of Mr James Collison Parsons, F.C.A., a Member of the Council from January 1938 until November 1950 and Chairman of the Library Committee from 1946 to 1949, and of the following members:

Bibby, Robert, F.C.A., Manchester.
Clark, Harold Bennett, F.C.A., Leigh-on-Sea.
Clegg, Sidney, F.C.A., Pietermaritzburg.
Crossley, Bertram, F.C.A., Manchester.
Dastoor, Hormasji Jamshedji, F.S.A.A., Bombay.
Dodd, Philip Mably, F.C.A., Liverpool.
Drury, John Hamilton, F.C.A., Ibadan, Nigeria.
Elder, Stephen Hill, T.D., F.C.A., Bristol.
French, Herbert Noel, F.C.A., Heswall, Cheshire.
Henley, Norman Percy Gilbert, F.C.A., Karachi.
Hill, John Arnold, F.C.A., London.
Hockey, Stanley George, F.C.A., Newport, Mon.
Horncastle, Leonard Scott, F.C.A., Leeds.
James Reginald William, F.C.A., Nottingham.
Nuttall, Percy, F.C.A., Manchester.
Nye, Ralph, F.C.A., Buxted.
Smith, Jack Ashworth, F.C.A., Lytham St Annes.
Smith, Leonard Francis John, F.C.A., Wallington.
Strickland, Francis, F.C.A., Manchester.
Thompson, Frank Ferguson, F.C.A., Bolton.
Wetton, Frank Thompson, F.C.A., Fordham, Essex.
Wilson, Frank Osborne, F.C.A., Manchester.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on May 2nd, 1962.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Harold William Steeper Seward, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he signed the Accountant's Certificates required by section 1 of the Solicitors Act, 1941, or section 30 of the Solicitors Act, 1957 (*a*) relating to three solicitors, Mr A., Mrs B. and Mr C. for the following accounting periods: Mr A. each of the six calendar years 1954 to 1959; Mrs B. each of the five calendar years 1954 to 1958 and the period January 1st, to March 9th, 1959; Mr C. each of the two calendar years 1954 and 1955; (*b*) relating to two solicitors Mr D. and Mr C. for the following accounting periods: Mr D. each of the six calendar years 1954 to 1959; Mr C. each of the four calendar years 1956 to 1959, which he knew or which he ought to have known were not correct, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Harold William Steeper Seward, F.C.A., had been proved under both headings and the Committee ordered that Harold William Steeper Seward, F.C.A., of 18 St David's Drive, Barnsley Road, Doncaster, be suspended from membership of the Institute for a period of two years.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Michael Roderick Sturt being a Clerk under Articles to a Fellow of the Institute was at the Adjourned Epiphany Quarter Sessions for Middlesex held on January 10th, 1962, convicted on certain indictments for that he:

(1) On February 26th, 1961, feloniously did steal a motor-car the property of a finance company;
(2) on February 26th, 1961, with intent to defraud did obtain a motor-car and the sum of £40 from a Mrs A. by false pretences;
(3) on February 28th, 1961, with intent to defraud obtained from the said Mrs A. the sum of £20 by false pretences;
(4) on October 5th, 1961, did steal a motor-car the property of a Mr B;
(5) on October 6th, 1961, obtained a valuable security namely a cheque for £300 from a Mr C. by false pretences;
(6) on divers days between July 1st and November 6th, 1961, conspired together with other persons unknown to defraud such persons as should thereafter be induced to part with money to him by false pretences;
(7) on November 12th, 1961, with intent to defraud fraudulently caused a Mr D. to execute a cheque for £15 15*s* by false pretences;
(8) on November 12th, 1961, with intent to defraud obtained from the said Mr D. a cheque for £15 15*s* by false pretences,

so as to render himself liable to be declared unfit to become a member of the Institute. The Committee found that the formal complaint against Michael Roderick Sturt had been proved and the Committee ordered that Michael Roderick Sturt be declared unfit to become a member of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting: (Rowland and Magee); Sixth edition by B. Magee, F.C.A. 1962. (Gee, presented, 20*s*.)

Accounting Manual for Export-Import Companies: systems, control of costs and inventories; by J. Goldner. New York. 1960. (Matthew Bender, 60*s*.)

The Architect and his Office: a survey. . . . (Royal Institute of British Architects.) 1962. (R.I.B.A., 40*s*.)

Budgetary Control and Standard Costs: the practice of accountancy as an aid to management; by J. A. Scott: fifth edition. 1962. (Pitman, 22*s* 6*d*.)

Common Market Law: texts and commentaries; by A. Campbell and D. Thompson. 1962. (Stevens, 70*s*.)

Deutsch-Englisches Glossarium Finanzieller und Wirtschaftlicher Fachausdrücke; by C. A. Gunston and C. M. Corner: fourth edition. Frankfurt/Main 1962. (Fritz Knapp, 90*s*.)

Hire-Purchase and Credit Sales: Law and Practice; by E. Campbell-Salmon. 1962. (Pitman, 45*s*.)

Income Tax for the Clergy: a practical guide; by Rev. J. E. Gilbert, F.C.A. 1962. (S.P.C.K. Presented by the author, 9*s* 6*d*.)

John Isham: mercer and merchant venturer: two account books of a London merchant in the reign of Elizabeth I; edited by G. M. Ramsay. 1962. (Northamptonshire Record Society, presented.)

The Law of Bankers' Commercial Credits; by H. C. Gutteridge: third edition; by M. Megrah. 1962. (Europa, 30*s*.)

The Law of Restrictive Trade Practices and Monopolies; by R. O. Wilberforce, A. Campbell (and others). 1957. First cumulative supplement 1962. (Sweet & Maxwell, 84*s*, 15*s*.)

Managerial Accounting in the Small Company; by J. D. Dale. New York. 1961. (Reinhold, 40*s*.)

The Modern Law of Real Property; by G. C. Cheshire: ninth edition by G. C. Cheshire and J. B. Butterworth. 1962. (Butterworths, 62*s* 6*d*.)

Practical Controllership; by D. R. Anderson and L. A. Schmidt. Homewood, Ill. 1961. (Richard D. Irwin, 67*s* 6*d*.)

A Secretary Looks at the Wine and Spirit Trade; by F. W. McGuinness. 1962. (Chartered Institute of Secretaries, presented.)

The Social Credit Movement in Alberta; by J. A. Irving. Toronto. 1959. (University of Toronto Press, 48*s*.)

Statistical Cost Analysis; by J. Johnston. New York. 1960. (McGraw-Hill, 52*s* 6*d*.)

Notes and Notices

PROFESSIONAL NOTICES

MESSRS KIMBERLEY, MORRISON, MOORE & Co, Chartered Accountants, of Midland Bank Chambers, 47 Temple Row, Birmingham 2, announce that they have taken into partnership Mr WILLIAM C. WALTERS, F.C.A., who has been with the firm for many years.

MESSRS H. NORMAN HARRISON & Co, Chartered Accountants, of Copthall House, Copthall Avenue, London EC2, announce that as from June 18th, 1962, the practice will be removed to Newby House, Southgate Circus, London N14. Telephone: Palmer's Green 8717.

MESSRS SLATER, CHAPMAN & COOKE, Chartered Accountants, announce that from June 1st, 1962, Mr LESLIE SYDNEY GRINYER, F.C.A., has been admitted to the partnership.

MESSRS SMALLFIELD, FITZHUGH, TILLETT & Co, Chartered Accountants, of 24 Portland Place, London W1, announce that Mr T. E. GRIMES, A.C.A., who has been with them for a number of years, has been admitted into partnership as from May 1st, 1962.

MESSRS WESTON & Co (S. Z. WESTON, F.C.A.), Chartered Accountants, of 143/144 Holborn, London EC1, announce that they have taken into partnership Mr DAVID FISHER, A.C.A., who has been associated with the practice for some years. The style of the firm will remain unchanged.

IN PARLIAMENT

Income Tax Act, 1952: section 245

Mr SKEET asked the Chancellor of the Exchequer how many cases arising out of section 245 of the Income Tax Act, 1952, have been taken to the Special Commissioners on appeal on the issue of whether a reasonable dividend has been paid; and of these how many have been won by the taxpayer.

Mr BARBER: In the ten years ended March 31st, 1962, the Special Commissioners heard forty-two appeals on the issue mentioned by my hon. friend, of which nineteen were won by the taxpayer.

Hansard, June 1st, 1962. Written Answers. Col. 158.

Income Tax and Insurance Contributions

Mr MCKAY asked the Chancellor of the Exchequer what the total deductions from income are, for a single man with earnings of £400 per year in respect of income tax and national insurance, industrial injuries and national health contributions.

Mr BARBER: £25 0*s* 8*d*, £18 19*s* 2*d*, £1 10*s* 4*d* and £7 0*s* 10*d* respectively, making a total of £52 11*s* a year for an adult male employee not contracted out of the graduated scheme.

Hansard, June 4th, 1962. Written Answers. Col. 26.

Plant and Machinery: Rating

Sir S. McAdden asked the Minister of Housing and Local Government and Minister for Welsh Affairs whether he proposes to make an order under section 5 of the Rating and Valuation Act, 1961, exempting small moveable plant and machinery from rates.

Dr HILL: Yes. I have invited a number of organizations representative of industry and of local government to comment on the draft of an order designed to implement the recommendations made in paragraph 40 of the Report of the Committee on the Rating of Plant and Machinery. I am also ready to consider representations from any other interested bodies. Copies of the draft may be obtained from my department.

Hansard, June 6th, 1962. Written Answers. Col. 74.

Bankruptcy Law and Deeds of Arrangement: Report

Sir D. WALKER-SMITH asked the President of the Board of Trade what action he is taking on the report of the Committee on Bankruptcy Law and Deeds of Arrangement, presented by the then President of the Board of Trade to Parliament in July 1957.

Mr ERROLL: The scope of the changes in the law which may be necessary is under consideration. The introduction of legislation must, however, be deferred until Parliamentary time is likely to be available.

Hansard, June 6th, 1962. Written Answers. Col. 79.

Company Law: Committee's Report

Mr SKEET asked the President of the Board of Trade when the Report of the Jenkins Committee on Company Law will be published.

Mr ERROLL: I shall present the Report to Parliament on June 21st. The Report will be published on the same day.

Hansard, June 8th, 1962. Written Answers. Col. 117.

DEFENCE BONDS: CONVERSION OFFER

The Treasury has announced that a conversion offer will be made to holders of 3½ per cent Defence Bonds purchased between September 1st and 15th, 1952, and maturing on September 15th, 1962, of which £3·3 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent Defence Bonds (Conversion Issue) on September 15th, 1962. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at 3½ per cent per annum on September 15th, 1962. Acceptance of the offer of conversion will not involve any break in the holder's encashment rights. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on September 15th, 1962. The terms of the new Conversion Issue Bond will be the same as those of the 5 per cent Defence Bonds currently on sale except that interest will be payable on April 1st and October 1st. The full conversion terms will be given in the prospectus and notice which will be posted to individual holders on June 20th, 1962, together with forms of request for conversion and forms of authority for the use of holders who do not accept the conversion offer. The lists of acceptances of the conversion offer will be closed on July 20th, 1962.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS
New President Elected

Mr Harold E. Halliday, F.C.A., a partner in the firm of Parsons & Jolliffe, Chartered Accountants, of Newport, Monmouthshire, was elected President of the South Wales and Monmouthshire Society of Chartered Accountants at the Society's annual meeting on June 14th.

Mr H. E. Halliday

Educated at Newport High School, Mr Halliday served articles with his present firm and was admitted to membership of the Institute in 1931. He has served on the committee of the Society since 1955 and has been a member of the Society's Taxation and Research Committee since its inception.

Outside his professional activities, Mr Halliday is a member of the council and chief steward of the Newport Playgoers Society and a member of the committee of the Newport Literary Club. In his younger days, he was a keen rugby player and represented Wales in a chartered accountant match between Wales and Ireland. Latterly he has turned to golf as a recreation and is also interested in gardening and photography.

Annual Report

The report of the committee for the year 1961–62 records membership of the Society at December 31st, 1961, of 453 – a small increase over the year.

Two lecture meetings were held during the year in Cardiff, one of which took the form of a 'Brains Trust' comprising three members of the Society and three members of the Association of H.M. Inspectors of Taxes. The report goes on to mention that forty-three students were taking the approved accountancy course at the University College of South Wales and Monmouthshire during the academic year 1961–62, and it had been reported to the committee that the percentage of accountancy students who had gained honours compared favourably with that of students in other sections.

The Cardiff and District Luncheon Club formed in 1960 with the object of enabling members of the Society to meet at regular monthly intervals is now firmly established. Meetings have been held throughout the year at the Park Hotel, Cardiff, under the chairmanship of Mr T. W. Pickard, F.C.A. Average attendance has been between fifty and sixty which is a tribute, the report states, to the energy of Mr T. H. Trump, F.C.A., the honorary secretary.

UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

Members of students' societies are reminded that all students' societies welcome to their meetings members of other societies who are temporarily in their area.

There is also an arrangement for transfer of membership without additional fee for members who permanently change their district. The interchange should be carried out through the secretaries of the societies concerned.

Students societies hold meetings in the following towns:

Ashford (Kent), Bedford, Birmingham, Blackpool, Bournemouth, Bradford, Brighton, Bristol, Cambridge, Canterbury, Cardiff, Carlisle, Chelmsford, Chester, Colchester, Coventry, Darlington, Derby, Doncaster, Dorking, Dorchester, Eastbourne, Epsom, Exeter, Faversham, Grimsby, Guildford, Halifax, Hastings, Hereford, Huddersfield, Hull, Ilford, Ipswich, Kettering, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Middlesbrough, Newcastle upon Tyne, Newport (IW.), Northampton, Norwich, Nottingham, Oxford, Peterborough, Plymouth, Portsmouth, Preston, Reading, Redhill, Salisbury, Scunthorpe, Sheffield, Shrewsbury, Southampton, Southend, Stockton-on-Tees, Stoke-on-Trent, Sunderland, Swansea, Taunton, Torquay, Truro, West Hartlepool, Wolverhampton, Worcester, York.

INCOME TAX PAYERS' SOCIETY MAY CONTINUE

At a meeting of the Income Tax Payers' Society held on June 6th to consider the winding-up of the Society, the chairman, Mr Geoffrey Stevens, F.C.A., M.P., announced that discussions had begun with a 'body of very high standing and repute' on the possibility of amalgamation. There seemed to be no insuperable difficulties to this, Mr Stevens added, and already a committee meeting of the other organization had decided unanimously in favour of the merger. It was hoped that there would be concrete proposals to put to the Society within a month.

Index to *Hansard*

The Income Tax Payers' Society has now issued its annual index of references to *Hansard*, dealing with income tax, surtax, and profits tax during 1961, for private circulation to members of the Society. Extending to twelve pages, the booklet shows the column references and date of the particular issues of *Hansard* with a brief explanatory note of the subject-matter.

CAMPAIGN FOR WIDER SHARE OWNERSHIP

The Wider Share Ownership Committee has been reorganized and expanded in preparation for a campaign to obtain new sources of capital by making

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investment in ordinary shares more popular. This was announced by Mr Maurice Macmillan, M.P., chairman of the committee on Monday of last week.

Eight officers have been elected and the committee now numbers fifty-seven – nineteen more than last year and includes Mr R. W. Hampton, F.C.A.; Mr G. P. S. Macpherson, O.B.E., T.D., M.A.(OXON.), C.A.; Mr David W. Moate, A.C.A.; Lord Polworth, T.D., M.A.(CANTAB.), C.A., and Mr R. T. H. Scott, M.B.E., C.A.

In addition, there are four new subcommittees which will examine specific problems and first reports are expected from them by March of next year. To finance the work of the committee an appeal is being made to the City and industry for a fund of £30,000. Of this £4,000 has so far been raised.

THE BRITISH COMPUTER SOCIETY

National Conference 1962

The third national conference of The British Computer Society will be held in Cardiff from September 4th–7th. A comprehensive programme has been arranged covering recent developments in the origination, processing and transmission of data and in other aspects of the construction and use of computers.

Among topics to be covered are business data processing, including profitability of established installations; problems of large-scale record conversion; operating experience of complex A.D.P. systems; industrial data processing, including real-time process control; data origination and transmission; developments in equipment, including implications of new components, reliability and experience of time-sharing.

Further details regarding the conference may be obtained from the Assistant Secretary, The British Computer Society, Finsbury Court, Finsbury Pavement, London EC2.

BUSINESS EFFICIENCY EXHIBITION

The fiftieth national Business Efficiency Exhibition is to be held at Olympia, London, from October 2nd–10th, and will be opened by the Lord Mayor of London, Sir Frederick Hoare. One hundred and sixty firms will be participating in the exhibition, which is being organized by the Office Appliance and Business Equipment Trades Association.

O.E.C.D. ECONOMIC SURVEYS

Two further booklets in the 1962 series containing economic surveys of Greece and Sweden have recently been published by the Organization for Economic Co-operation and Development. Copies of the booklet are obtainable from H.M. Stationery Office, price 3*s* each.

INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND GOLFING SOCIETY

The annual meeting of the Institute of Chartered Accountants in Ireland Golfing Society was held at the County Sligo Golf Club, Rosses Point, during the week-end May 26th–28th, some forty members and students taking part in the competitions. The results were as follows:

SMYLIE CUP (BOGEY)

Winner: J. D. Hollwey (13) – 3 up.
Runner-up: C. K. East (13) – All square (after a tie).
Third prize: J. O'Shaughnessy (5) – All square.
Fourth prize: J. G. Geary (3) – 2 down.

QUIN CUP (STABLEFORD)

Winner: S. H. Polden (14)	39¼ points
Runner-up: G. L. M. Wheeler (16) ..	38 (after a tie)
Third prize: H. Winter (16)	38
Fourth prize: C. K. East (13)	37⅜

VETERAN'S PRIZE

A. E. Dawson (24) .. .. 32 points

The trophy for the best aggregate was won by C. K. East, while the North *v.* South Cup was won by South after a very close contest, the scores being South 215⅜ points, North 212⅛ points.

At the annual business meeting Mr S. H. Laughlin, F.C.A. (Belfast), was elected Captain for the ensuing year. The 1963 meeting was fixed for the week-end May 25th–27th at Rosses Point.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

Annual Golf Competition

The annual golf competition of the Liverpool Society of Chartered Accountants was played over the links of Formby Golf Club on May 30th. There were fifty-eight entries, the leading results under the Stableford system of scoring being as follows:

	Points		*Points*
D. Stuttard (20) ..	37	B. Gilpin (4) ..	31
J. H. Worrall (14) ..	36	E. S. Behn (6) ..	31
F. H. Veysey (16) ..	34	J. A. Colvin (7) ..	31
L. D. Hayward (10)	33	K. R. Mackenzie (13)	30
F. M. Frazer (18) ..	33	H. K. Turner (20)	30
W. S. Wicks (11) ..	32	R. H. Weston (23)	30
J. F. Allen (13) ..	32		

Articled Clerks Section

	Points		*Points*
J. A. Bush (20) ..	31	R. G. Capes (14) ..	27
I. W. Campion (2)..	28	M. Spencer (8) ..	23

The President of the Society, Mr Stanley Morris, F.C.A., presided at dinner in the club-house in the evening when forty-four members and articled clerks were present.

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LAWN TENNIS

In a lawn tennis match played recently at Moor Park Club, a Chartered Accountants' team lost to the Law Society by the narrow margin of five matches to four.

The results were:

		Matches Lost	Matches Won
1st Pair	J. Spence E. J. Ramus	2	1
2nd Pair	J. R. Le P. Power J. M. Batty	2	1
3rd Pair	J. Franklin P. Angus	1	2

ANNOTATED TAX CASES

Part 10 – the concluding part – of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments of the following cases: *Lions Ltd v. Gosford Furnishing Co Ltd and C.I.R.* (C.S.); *Lucy & Sunderland Ltd v. Hunt* (Ch.D.); *British Italian Corporation Ltd v. C.I.R.* (Ch.D. & C.A.). The index of cases and subject-matter for the volume will be published shortly, after which the volume may be bound.

The annual subscription is 50s post free and the publishers are Gee & Co (Publishers) Limited, 151 Strand, London WC2.

BANK HOLIDAY CROSSWORD: SOLUTION

The solution to the Bank Holiday Crossword compiled by Mr Kenneth Tickett, F.C.A., which appeared in last week's issue, is as follows:

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Limited, 151 Strand, London WC2

STATUTES

(10 & 11 Eliz. 2)

Chapter 20: International Monetary Fund Act, 1962

An Act to enable the United Kingdom to take part in arrangements under which the International Monetary Fund may borrow supplementary resources from its members.

Price 3d net. *April 18th, 1962.*

Chapter 21: Commonwealth Immigrants Act, 1962

An Act to make temporary provision for controlling the immigration into the United Kingdom of Commonwealth citizens; to authorize the deportation from the United Kingdom of certain Commonwealth citizens convicted of offences and recommended by the Court for deportation; to amend the qualifications required of Commonwealth citizens applying for citizenship under the British Nationality Act, 1948; to make corresponding provisions in respect of British protected persons and citizens of the Republic of Ireland; and for purposes connected with the matters aforesaid.

Price 1s 6d net. *April 18th, 1962.*

Chapter 22: Coal Consumers' Councils (Northern Irish Interests) Act, 1962

An Act to provide for the appointment to the Industrial Coal Consumers' Council and the Domestic Coal Consumers' Council of persons to represent Northern Irish interests.

Price 3d net. *May 24th, 1962.*

Chapter 23: South Africa Act, 1962

An Act to make final provision as to the operation of the law in consequence of the Union of South Africa having become a republic outside the Commonwealth.

Price 1s 3d. *May 24th, 1962*

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JUNE 23RD, 1962 VOL. CXLVI. NO. 4566

CONTENTS

	Page
The Jenkins Report	789
The Housing Act, 1961 by *Spencer G. Maurice*	793
The Accounting World	796
Long-term Planning by *Professor A. Goudeket*	797
Weekly Notes	802
This is My Life . . . by *An Industrious Accountant*	804
Finance and Commerce Relay Exchanges Ltd – Gerrard & Reid – The Shanghai Electric Construction Co Ltd – City Notes – Rates and Prices	805
Current Law	810
For Students Joint Venture Accounts	811
Electronics in the Office National Commercial Bank of Scotland's Progress in Electronic Accounting – Computer for Atomic Research Establishment – Census by Computer	814
Notes and Notices The Institute of Chartered Accountants in England and Wales: Annual Church Service; Examination Results; Members' Library – Chartered Accountants' Benevolent Association – Management Accountancy Research Unit – Return of Rates – National Association of Pension Funds – Revenue Paper	815

The Jenkins Report

THE eagerly awaited Jenkins Report was published on Thursday afternoon as a Blue Book (H.M.S.O. 12*s* 6*d* net). The Report of the Company Law Committee, to give it its full title, is an impressive document of 206 pages and 526 paragraphs, teeming with recommendations. This is all the more significant in that the Report stresses that the Companies Act, 1948, has worked well and that the Committee has approached all suggestions for change with the overriding consideration that it is for those who want change to make out their case. Moreover, the recommendations in the report are only the major ones; there are many more minor ones, not specified in the Report, which the Committee is passing to the Board of Trade with a view to eventual incorporation in the drafting of a new Companies Bill.

Perhaps the most striking and far-reaching recommendations are those for the abolition of special rules for private companies and for exempt private companies. The Committee is unanimous in thinking that all companies which enjoy the privilege of limited liability should file accounts annually so that creditors and prospective creditors can examine them without being put to the trouble or embarrassment of making a special request to the companies themselves. However, in effect the Committee recommends the creation of a new category of company, namely, companies whose securities (shares or stock) have been neither quoted nor offered to the public, and which are not subsidiaries of companies whose securities have been quoted or offered to the public. Companies in this new category would not be bound to show, in the accounts which they filed, either the information about directors' emoluments now required by section 196 of the 1948 Act, or the details of turnover and rents receivable and payable which the Committee recommends should normally be included in accounts. This exemption from disclosure would not apply to accounts circulated among the company's own members and debenture-holders.

Other important recommendations are that shares of no par value be permitted, that the protection of minorities under section 210 be strengthened, that persons acquiring an interest in more than 10 per cent of the issued capital of a company should disclose their interest, that 'voteless' shares should *not* be abolished, and that every company should have at least two directors. A new terror is raised for those anonymous subordinate employees who allow themselves to be made the subscribers of a new company. If no directors are appointed these persons will themselves automatically become directors, with all the responsibilities and duties that the

office carries. The Committee would also abrogate the present ban on partnerships having more than twenty members, provided that the partnership in question is of professional persons subject to their own professional code of conduct.

The Report devotes thirty-six pages to the vexed topic of company accounts, most of one page being taken up with an extensive quotation from the Recommendations on Accounting Principles issued to its members by The Institute of Chartered Accountants in England and Wales, on the primary purpose of annual accounts. The Report says (paragraph 333):

> 'The proper function is admirably explained in the following passage from the Recommendations . . . (which we quote at length because we think that the function of company accounts may not be fully appreciated by those investors unfamiliar with accounting principles and practice).'

After setting out the quotation, the Report goes on:

> 'In our view this "historical cost" basis of accounting, which was endorsed by the Cohen Committee and is used almost universally, should continue to be the basis on which company accounts are prepared. . . . Nevertheless, the law does not and should not insist upon a rigid and uniform application of the historical cost principle in all circumstances.'

It is pointed out that the Act already requires the current value of some assets to be shown and permits a valuation of fixed assets. Historical cost information may need to be supplemented in order to give the statutory 'true and fair view'. This is to some extent a matter of opinion of the directors based on the circumstances of the particular company.

> 'In the last resort the auditor must decide whether he is prepared to state that in his opinion the accounts give a true and fair view; if all the necessary information is not given the auditor is required to qualify his report accordingly. The Recommendations on Accounting Principles periodically issued by The Institute of Chartered Accountants in England and Wales to their members have already done much to ensure that standards of accounting are reasonably uniform and constantly rising. These recommendations are based on close and constant study of the relevant problems, which are ever changing, and it is primarily to the initiative of the professional associations that we must look if the general principles of the Act are to be effectively applied in practice.'

On the question of paying dividends out of surpluses resulting from a revaluation of unrealized fixed assets, the Report records that The Institute of Chartered Accountants in England and Wales, and The Institute of Chartered Accountants of Scotland, were both strongly opposed to such a practice. It concludes that the practice should no longer be permitted. Even where there is a *realized* capital surplus, the Committee thinks that before it is distributed the directors must be satisfied that the net aggregate value of the remaining assets will not be less than the book value, so that the share capital and reserves after the distribution will still be fully represented by the remaining assets. We think that these recommendations are to be welcomed; it is undesirable in any event that there should be uncertainty about these points. We also welcome the recommendation that unrealized capital surpluses thrown up by a bona fide revaluation of all the assets should be available for creating bonus shares, but not bonus debentures or loan stock. The report says nothing about bonus redeemable preference shares, nor about the present requirement of Treasury consent.

The question as to how far current profits can be distributed without making good past losses has given rise to endless discussion, and some of the judicial pronouncements have paid little regard to accountancy principles. The Report contains recommendations which amount to a coherent and sensible code. The Committee thinks that a company should not need to make good unrealized capital losses before distributing current revenue profits. Although it would normally be prudent to make good *realized* capital losses before distributing profit, the Report makes no categorical recommendation for it. As regards past revenue losses, however, the Report thinks that the profit and loss account should be a running account, and that accordingly past revenue losses should be made good before dividends are paid out of current profits.

One of the more baffling problems of company

law is the extent to which it is permissible for a company to pay dividends out of dividends it has itself received on recently purchased shares in other companies. Paragraph 15 (5) of the Eighth Schedule to the 1948 Act seems to proceed on the assumption that dividends received which are fed from profits earned before the shares were acquired cannot in turn be paid out in dividends. The draftsman of that schedule was perhaps confusing good accountancy practice with the requirements of the law, because there is no authority for such a proposition either in the body of the Act or in any reported case. Moreover, the paragraph is so worded that evasion is easy.

The Committee thinks that it should be clearly stated in the body of the Companies Act, as the general rule, that pre-acquisition profits, distributed to the acquiring company after the acquisition of the shares, should not be treated as profits made by the latter. The principle is that a dividend which has been paid for in the purchase price of the shares should not be regarded as distributable profit. However, the Committee thinks that it would be difficult to enforce a legal requirement expressed in such general terms. Accordingly it recommends that the date as from which shares may be deemed to have been acquired should in no case be earlier than the close of the latest accounting period of the acquired company before the contract was entered into.

There would be exceptions from the general rule. What the Committee calls 'inter-group' (presumably it means 'intra-group') acquisitions would be exempt. If the directors are of opinion that the pre-acquisition profit is not significant in amount, they could ignore the prohibition. Sometimes an amalgamation is effected by a new holding company acquiring the shares of two or more companies. The Committee recommends exemption in favour of such a company if it acquires 90 per cent or more of the issued capital of the old companies, in return for shares issued at a premium (or of no par value). However, if it wished to pay dividends out of the pre-acquisition profits of more than one of its newly acquired subsidiaries, it would require the sanction of the Court, on the lines of a petition for a reduction of capital. A company which had acquired 90 per cent or more of the issued capital of one other company would also have the right to apply to the Court for permission to pay dividends out of pre-acquisition profit.

We have dealt in detail with this particular topic to show the thoroughness with which the Committee has dealt with the more complex problems which were put before it. The topic, and the Committee's solution, also illustrates the impossibility of making the Companies Act any simpler.

When examining the problem of the right way to value stock and work-in-progress in the balance sheet, the Report again draws on the accumulated wisdom of the English Institute. It records that the Institute issued a revised recommendation on the topic in November 1960, and observes that the current opinion is well summarized in a part of the Institute's evidence, (reproduced in the Report) expressing its agreement with the Institute's views. The Report recommends that, whatever the basis of valuation used, the shareholders should be concisely but adequately informed about it, and of any departure from a previous basis.

Many people have been unhappy about the definitions of 'revenue reserve' and 'capital reserve' in the Companies Act. We welcome the recommendation that 'capital reserve' should be defined to mean reserves which may not lawfully be distributed.

We have indicated that if the Report's major recommendations are adopted, the exempt private company and the private company, will disappear. The Committee thinks that this change might deprive a number of auditors of exempt companies of their livelihood. Under the present provisions many are not eligible to act as auditors of non-exempt companies. To meet this the Committee would empower the Board of Trade to 'authorize' any person who can satisfy them that, at the time the Report was published, he was mainly occupied in private practice as an accountant and was employed as the auditor of an exempt private company. Such an 'authorized' person would be able to act as auditor of any company in the 'unquoted' category

The provisions for automatic reappointment of auditors do not have the Committee's approval, it recommends that every company must appoint its auditor each year. As the almost universal practice is to appoint a firm in the firm name, the Committee thinks that this should be deemed

to be an appointment of the (qualified) persons who are members of the firm from time to time during the period of the appointment, until either more than half the members at the time of appointment cease to be members; or the new members of the firm, joining it after the appointment, outnumber the members who were members at the time of the appointment. The firm would be under a duty to notify the company of these changes. The new Act would also expressly recognize an auditor's right to resign.

The Committee accepts the criticisms of accountancy bodies as to the length of the statutory auditors' report and recommends a new form based on the form submitted by the English Institute. The Committee's Report will be further reviewed in subsequent issues.

COMPANY LAW COMMITTEE

Members and Terms of Reference

The Company Law Committee was appointed in December 1959 by the then President of the Board of Trade with the following terms of reference:

> 'To review and report upon the provisions and working of the Companies Act, 1948, the Prevention of Fraud (Investments) Act, 1958, except in so far as it relates to industrial and provident societies and building societies, and the Registration of Business Names Act, 1916, as amended; to consider in the light of modern conditions and practices, including the practice of take-over bids, what should be the duties of directors and the rights of shareholders; and generally to recommend what changes in the law are desirable.'

The members of the Committee were:

Lord Jenkins, Chairman.

Mr F. R. Althaus, Deputy Chairman of the Council of the Stock Exchange and partner in Pember & Boyle, Stockbrokers.

Mr E. A. Bingen, Deputy Chairman of Imperial Chemical Industries Ltd.

Mr Leslie Brown, Secretary and Chief Investment Manager, Prudential Assurance Co.

Sir George Erskine, C.B.E., Director of Morgan Grenfell & Co Ltd.

Professor L. C. B. Gower, M.B.E., Professor of Commercial Law in the University of London.

Mr J. A. Lumsden, M.B.E., Partner, Maclay, Murray & Spens, Solicitors, Glasgow.

Mr W. H. Lawson, C.B.E., B.A., F.C.A., Partner, Binder Hamlyn & Co, Chartered Accountants, London.

Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Bencher of Middle Temple.

Mrs M. Naylor, Financial Journalist.

Mr G. W. H. Richardson, Chairman of J. Henry Schroder Wagg & Co Ltd, and Vice-Chairman of Lloyds Bank Ltd.

Mr Hilary Scott, Partner, Slaughter & May, Solicitors, London.

Mr R. Smith, Secretary, Union of Post Office Workers.

Mr William Watson, C.A., Treasurer of the Bank of Scotland.

Our photos show the two members of the profession who served on the Committee – Mr W. H. Lawson, C.B.E., B.A., F.C.A., (*left*) and Mr William Watson, C.A. (*centre*) and Mr K. W. Mackinnon, M.B.E., T.D., Q.C., who is, of course, Chairman of the Panel of Judges for *The Accountant* Annual Awards.

Mr W. H. Lawson

Mr William Watson

Mr K. W. Mackinnon

The Housing Act, 1961

by SPENCER G. MAURICE

THE Housing Act, which received the Royal Assent on October 24th last and came into operation a month later, is divided into three parts. Part I is concerned with financial assistance for housing accommodation provided by local authorities and other public bodies. Part II contains amendments of the Housing Act, 1957. Part III contains miscellaneous and general provisions and its most important feature is the new protection which it gives to tenants holding under short leases. The policy embodied in the Act and the main reasons for it are set out in a White Paper, *Housing in England and Wales* (Cmnd. 1290), which was presented to Parliament in February 1961.

Requiring as it does a better standard of accommodation and repair in certain instances where the existing conditions are unsatisfactory (while giving landlords a slightly better return on money spent on improvements), and at the same time extending the payment of subsidies in respect of new houses, the Act is an important one and should prove valuable in ameliorating the present housing shortage, both by enabling better use to be made of existing houses and by encouraging the building of new ones, and should be generally welcome. The purpose of this article is to provide a general survey of its provisions and to consider especially those sections which are likely to prove of particular interest to accountants, who may well in the course of advising clients find it desirable to have some knowledge of those provisions at least which affect private landlords and trustees of housing associations.

New Subsidy Structure

The accountant in private practice will probably not be greatly concerned with Part I of the Act and for this reason it will be considered only briefly here: on the whole it will be of more relevance to the accountant employed in local government. Sections 1 to 6 of the Act make provision for the payment of Exchequer subsidies to local authorities, development corporations and housing associations in respect of new houses which are approved by the Minister of Housing and Local Government. The system of subsidies has been revised, the new structure having two main features.

In the first place, a subsidy is payable in respect of any new dwelling which is approved by the Minister for the purpose of subsidy: under the Housing (Financial Provisions) Act, 1958, subsidies were restricted to dwellings provided for certain specified purposes. Secondly, the amount of subsidy payable varies according to the circumstances in which a dwelling is provided though it is in all cases paid over a period of sixty years following the completion of the dwelling. The annual rate is £28 when the dwelling is provided by a local authority in the course of a scheme of town development, or by a development corporation (as defined) otherwise than in pursuance of authorized arrangements (as defined) made with a local authority (section 3 (1)). The rate is £24 when the local authority provides the house to accommodate persons coming from outside its area to meet the urgent needs of industry, when it is provided by a development corporation in pursuance of authorized arrangements made with a local authority; or when it is provided by a housing association (section 3 (2)). In the case of other dwellings provided by a local authority the rate will usually be either £24 or £8, whether an authority is entitled to the higher or the lower rate of subsidy depending upon the balance of its housing revenue account, arrived at in the manner provided for in the Act (section 4). Supplemental subsidies may be given where expenditure greatly exceeds income when measured by the local yield of a penny rate (Schedule I). Additional subsidies are payable for blocks of flats exceeding four storeys, expensive sites, and agricultural dwellings (section 5).

In a circular on the new Act issued by the Ministry of Housing and Local Government (No. 55/61, Housing Act, 1961), it is explained that the changes in the structure of the subsidies which have been made are designed to make the arrangements more flexible, with the object of securing a better distribution of financial assistance while maintaining the annual additional cost to the Exchequer at about its present level; and, more particularly, to enable local authorities in framing their building proposals to take account

of all urgent housing needs which they alone can meet, while at the same time giving more help to those authorities most in need of it. It is emphasized that the main purposes for which local authorities should continue to build are slum clearance, building for the elderly, and building for 'overspill'. But it is recognized that there are other urgent problems, such as the relief of overcrowding and of the bad living conditions often found in houses let in lodgings or shared by more than one family. It is pointed out that the new arrangements are designed to encourage authorities to pursue rent policies which assure them a total rent income of twice the 1956 gross value of their houses, whilst still enabling them to adjust rents to the needs of tenants.

Advances to Housing Associations

A further circular of the Ministry (No. 12/62, Housing Associations in England and Wales) deals with assistance to housing associations. It is perhaps not widely understood how valuable is the part which housing associations can play in meeting the demand for housing, and it is gratifying that the Minister of Housing and Local Government is anxious to see an expansion of associations' activities, which, as the circular says, could do much to bring about a broadening of the range of housing provision in directions in which it is badly needed at the present time. The circular explains that the provision whereunder 'special arrangements' (as defined in section 11) may be entered into and associations may thereby receive subsidy direct from the Minister is new, and has been introduced primarily to facilitate the payment of subsidy where associations are building for old people with the aid of loans from the Minister under section 7 of the Act of 1961.

Nevertheless, the Minister is not anxious to advance loans under section 7 for building for old people, since association schemes for old people – an important part of the work of associations and one which the Minister hopes to see developed still further – will normally be for the benefit of people for whom local authorities generally provide and should therefore be carried out under 'authorized arrangements' (as defined in section 11) with the authorities, and section 7 really has a different purpose. This is to enable associations registered under the Industrial and Provident Societies Act, 1893, to build for people who want to rent a house and can afford to pay an economic rent, and who do not therefore need to look to a local authority. For this purpose section 7 establishes a loans fund of £25 million. The Minister may make an advance to an association out of this fund to meet the whole or any part of the expenditure incurred by the association in connection with a scheme which he has approved. A loan will carry interest at the rate fixed by the Treasury under section 1 of the Public Works Loans Act, 1897, in respect of loans to local authorities made on the same date and for the same period, and be repayable in each case over a period not exceeding sixty years. One particular form of association which will be eligible to submit a scheme under section 7 is the co-operative or co-partnership association in which the members collectively own the accommodation which they occupy, and the Minister would like to see further schemes of this kind.

Management of Houses in Multiple Occupation

Part II of the Act of 1961 contains amendments of the Act of 1957 and confers important powers on local authorities, in particular to enable them to deal with squalid living conditions in houses in multiple occupation, that is to say, houses let in lodgings or occupied by members of more than one family. Section 13 empowers the Minister by statutory instrument to make regulations to ensure that a person managing such a house observes proper standards of management, and section 12 (1) empowers a local authority by order to direct that the regulations shall apply to any such house which appears to the authority to be in an unsatisfactory state in consequence of failure to maintain proper standards of management. Such regulations (S.I. No. 688 of 1962) made by the Minister became effective on May 22nd.

Notice of the authority's intention to make an order must be served on interested parties (section 12 (2)), and there is a right of appeal to a magistrates' Court on the ground that the making of the order was unnecessary (section 12 (4)). Application may be made to the authority for the revocation of an order, and there is a similar right of appeal against refusal (section 12 (6)). If the authority considers that the condition of a house falls short of the requirements imposed by the management code, it may serve on the person managing the house a notice specifying the works necessary and requiring him to carry them out (section 14 (1)); any other person known to be an owner or lessee of the house must be informed that a notice has been

served (section 14 (4)). Appeal against a notice lies to the magistrates' Court on various grounds, e.g. that the condition of the house did not justify the authority in requiring the execution of the works specified (section 14 (5)).

Section 15 empowers an authority to require the execution of works of other descriptions, namely, to remedy defects with respect to lighting, ventilation, water supply, washing facilities, drainage and sanitary conveniences, or facilities for the storage, preparation and cooking of food, and for the disposal of waste water; while section 16 empowers it to require works to be carried out to provide satisfactory means of escape from fire. Appeal against notices served under sections 15 and 16 lies to the County Court (section 17). In the event of failure to comply with a notice served under sections 14, 15 or 16, the authority may carry out the works itself and recover the costs thereof (section 18). Section 19 enables the authority to make directions to prevent or reduce overcrowding.

Improvements and Repairs

Section 29 increases from 8 per cent to 12½ per cent the rent increase permitted under section 5 (1) of the Rent Act, 1957, on account of improvements undertaken to a dwelling let on a controlled tenancy, the amount of the increase being calculated by reference to the cost borne by the landlord in respect of improvements completed after November 24th, 1961. The same increase is allowed in the case of an uncontrolled dwelling improved with the aid of a discretionary improvement grant or a standard grant. Sections 30 and 31 contain amendments relating to grants for improvements.

Section 32 (1) revolutionizes the law of landlord and tenant by importing into a lease of a dwelling-house to which the section applies a covenant by the lessor to keep in repair the structure and exterior of the house and to keep in repair and proper working order the installations for the supply of water, gas and electricity, and for sanitation and for space-heating or heating water. Any covenant by the lessee for the repair of the premises is of no effect so far as it relates to the matters aforementioned.

The lessor is not required to carry out any works or repairs for which the lessee is liable by virtue of his duty to use the premises in a tenant-like manner, or would be so liable apart from any express covenant on his part; to rebuild or reinstate the premises in the case of destruction or damage by fire, or by tempest, flood, or other inevitable accident; or to keep in repair or maintain anything which the lessee is entitled to remove (section 32 (2)). In determining the standard of repair required by the lessor's repairing covenant, regard is to be had to the age, character and prospective life of the premises and the locality in which they are situated (section 32 (3)). In a lease where the lessor's repairing covenant is implied there is also implied a covenant by the lessee that the lessor or his agent authorized in writing may at reasonable times of the day, and on giving the occupier twenty-four hours' notice in writing, enter the premises to view their condition or state of repair (s. 32 (4)).

Restriction on Contracting Out

Subject to section 33, section 32 applies to any lease of a dwelling-house granted after the passing of the Act, being a lease for a term of less than seven years (section 33 (1)). A lease is treated as being for a term of less than seven years if it is determinable at the option of the lessor before the expiration of seven years from the commencement of the term; if it is not so determinable, it is not so treated if it gives the lessee an option for renewal for a term which, with the original term, amounts to seven years or more (section 33 (2)). If part of the term falls before the grant, that part must be left out of account, and the lease is treated as a lease for a term commencing with the grant (section 33 (5)).

Section 32 does not apply to a new lease granted to a person in possession if the new lease is a tenancy to which Part II of the Landlord and Tenant Act, 1954 (which gives security of tenure to business, professional and certain other tenants), applies and the earlier lease either is such a tenancy or would be such a tenancy but for section 28 of that Act (which relates to voluntary agreements for the renewal of tenancies); nor does it apply if the earlier lease is not within section 32 and, if granted before the passing of the 1961 Act, would not have been within it if granted after that date (section 33 (3)). Section 32 does not apply to a tenancy of an agricultural holding within the meaning of the Agricultural Holdings Act, 1948 (section 33 (4), of the 1961 Act).

The County Court may, with the consent of the parties, authorize the inclusion in a lease of provisions excluding or modifying the repairing obligations imposed by section 32, if it appears to the Court reasonable to do so (section 33 (6)), but it is not otherwise possible to contract out of the lessor's obligations or the lessee's immunities (section 33 (7)).

The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

CANADA

Inventory Information

THE Canadian Institute of Chartered Accountants has recently published the fourth edition of *Financial Reporting in Canada*, which summarizes financial statements from 1957 to 1960 inclusive. Commenting on the generally acknowledged fact that a proper interpretation of operating results of manufacturing companies necessitates a knowledge of the division of inventories between raw materials, work in progress and finished goods, the journal of the Canadian Institute, in its accounting research section, reports that 87 per cent of the companies surveyed for this publication give an undivided inventory. This shows no change in practice during the past four years.

Most inventories are valued at the lower of cost or market and the journal observes that it is unfortunate, in view of the lack of any accepted meaning for 'market' in Canada, that only a handful of companies explain the sense in which they use the word. There is a wide diversity of practice in Canada, due to uncertainty as to whether 'market' is to be 'replacement cost', as it normally is in the United States, or 'net realizable value' as in Great Britain. It is suggested, therefore, that Canada might well adopt the recommendation of The Institute of Chartered Accountants in England and Wales for the abandonment of the word 'market' and use the descriptive words which are appropriate to the valuation adopted. The fact that fourteen companies out of 300 of the larger public Canadian companies did explain the meaning is seen as a hopeful sign.

BELGIUM

Professional Rules for Accountants

THE *Collège National des Experts Comptables de Belgique* has issued a code of rules for its members. The code calls for an oath to be sworn by all members to emphasize the serious nature of their moral obligations under it.

Accountants must respect professional secrets and only divulge information acquired in a professional capacity if it is the object of criminal proceedings, or of an investigation by the disciplinary body, or where specifically authorized by the client. Professional secrecy extends to the accountants' clerks, and the principal is responsible for seeing that this is observed. The accountant must conduct his affairs on a high moral plane, and any aspects of his private life susceptible of damaging the dignity of the profession are proper subjects for disciplinary action.

The accountant must exercise his profession in complete independence and avoid placing himself in a situation where his freedom could be compromised. He must refuse any assignment, or abandon one already commenced, where he becomes aware of any facts which tend to restrict his freedom of action. The exercise of the following activities are incompatible with his profession: trader, agent or business 'go-between'; any function within a company of which he is auditor; any occupation which restricts his independence. Members are forbidden to take any employment requiring day-to-day management in profit-making business firms, or in the Press, whether remunerated or not, except for publications mainly devoted to matters which concern the accountancy profession.

Advertising of any kind is forbidden, and this extends to personal publicity whether direct or indirect and authorizing a third party to use the name of the accountant for commercial or advertising purposes. Collective advertising may be undertaken if it emanates from the *Collège*. Letter-headings must be sober and contain, besides name and address, only diplomas and university degrees, bank account numbers, hours for consultation and membership of any legal or private body having a relationship with the profession. Name-plates on doors must also be of modest size, and of sober appearance.

It is forbidden to pursue clients by offering commissions or reduced fees, by holding meetings of a publicity-seeking nature, or by revealing political or administrative activities. Accountants must provide each other with assistance and do nothing capable of harming a colleague. Differences between members of the *Collège* should be submitted to the President of the *Collège* for arbitration. If a member dies, the President of the *Collège* can be requested by the heirs to appoint a member of the *Collège* as temporary replacement, to administer the practice of the deceased. If a member is suspended, the President can nominate a successor, with the agreement of the parties affected.

Members should avoid receiving deposits of money or securities from clients or third parties. If such a deposit is unavoidable, it should be effected at a bank and a separate account opened for it. Remuneration must be by fee, no other form of remuneration, direct or indirect, being permitted. Sharing of fees is only permitted where based upon effective collaboration. Fees should be fixed in consideration of the type, importance and complexity of the assignment and responsibility undertaken, as well as the particular competence and reputation of the accountant. Fees may not be calculated on the basis of results to clients. Except in judicial proceedings a member may not pass an opinion, written or oral, on a fee charged by a colleague.

UNITED STATES

Price Indices in Property Accounting

THE use of price indices in property accounting is the subject of a recent article in the *N.A.A. Bulletin* (New York), by Mr Robert H. McCleary, supervisor of the equipment control section of Sylvania Electric Products Inc.

His company's property accounting, states Mr McCleary, has been mechanized for years. Its circumstances require an especially effective system for keeping track of large quantities of productive equipment. There are approximately eighteen thousand pieces of capital equipment and approximately one hundred pieces have to be transferred to meet scheduled production requirements each month. Each capital item has its own tabulating data card, created from input data at the time the item is capitalized. The cards represent an up-to-date inventory control file of capital equipment.

In these demanding circumstances Mr McCleary shows how price index factors can be used to solve problems in three distinct phases of property accounting:

(1) computing year-of-purchase cost of reused parts in machines being rebuilt;

(2) determination of proper selling prices on used equipment;

(3) listing insurable values of capital plant and property.

The author says that the use of price index factors provides a sound, valid, consistent base on which to calculate these values. The company does not use general indices but obtains from an insurance company those needed to reflect the change in replacement value of its particular equipment.

Controllers Institute: Change of Name

AT its annual meeting on April 30th, The Controllers Institute of America changed its name to Financial Executives Institute.

An issued statement says that the new name reflects the change in status of financial management generally. The Institute's President and more than 250 of its members have the title, 'Vice-President (finance)', in their respective companies, and many others are executive vice-presidents or treasurers.

Treasurers who do not have controllership responsibilities are also to become eligible for membership of the Institute.

Long-term Planning

by PROFESSOR A. GOUDEKET
Chief Internal Auditor, N.V. Philips Gloeilampenfabrieken, Eindhoven

A paper presented at the 'Information for Management' Conference of the London and District Society of Chartered Accountants at Oxford on April 13th.

LONG-TERM planning is an outstanding subject in the minds of all those who in one way or another are concerned with trade and industry. They are interested in long-term planning both as a part of the greater entity which is indicated by the term 'management science', as well as a separate object of study. In this paper I hope to substantiate that it is quite logical that long-term planning should have attracted so much interest.

Auditors and Planning

By way of introduction I would like to suggest that the subject is an eminently appropriate one for study by experts; and this automatically gives rise to the question as to what extent the auditor may be regarded as an expert. I am of the opinion that in this respect the auditor has only a general expert knowledge and therefore is not a specific expert. In the fields of accounting, business economics and auditing, the auditor is a specific expert; but in respect of a number of related areas the auditor cannot pretend to be a specific expert. In view of ever-increasing specialization and also of the specific knowledge which the auditor has to acquire for effective execution of his primary function, it is impossible for him to have expert knowledge in all those fields with which he has greater or lesser points of contact.

Bearing this in mind I have, of course, asked myself why I as an auditor should have been given the honour of presenting this paper. I would like to state

Besides his executive position in the Philips Group, Professor A. Goudeket is Professor of Accountancy in the University of Amsterdam and a prominent member of the Nederlands Instituut van Accountants.

first and foremost that I do not consider myself to be a specialist in the field of long-term planning. It would certainly not have been difficult for the organizers of this conference to find someone with greater expert knowledge in this subject. I regarded it as important, therefore, to reflect upon the reasons for the invitation extended to me, because this would also give me an idea of the approach to the problem expected from me.

In the first place I might be expected to say something about the application of long-term planning in the Philips concern, which as a consequence of its diversification, both geographically and product-wise, presents a particularly interesting set of problems.

It could also be that British auditors are particularly interested in the attitude of the members of the profession in the Netherlands towards long-term planning and the extent to which such planning plays a part in Dutch professional practice.

For these reasons I propose to say first a few words on some aspects of the Dutch professional viewpoint, then I will follow with my own views on the problem of long-term planning, and in conclusion will give some idea of its application in the Philips concern.

Dutch Professional Viewpoint

The professional audit in Holland is strongly influenced by business economics, which is evidenced by the concentration of the auditor on the appraisal of the facts behind the figures in addition to the formal routine checking. For this paper, I am restricting myself to what is called, in Holland, the general function of the auditor, namely, the audit directed at certifying the annual accounts. According to Dutch professional views, the fundamental contents of the auditor's report are that the annual accounts give a true and fair view of the results achieved in the period under review and of the net worth at the end of that period, in accordance with economic principles.

Another important aspect of Dutch professional views is that the advice to the management of the enterprise – for instance, in the fields of business economics, organization and finance – constitutes an essential part of the outcome of the work performed by the auditor in his general function.

It will be clear that in this conception of his general function a certain degree of knowledge in the field of long-term planning is indispensable to the auditor. As regards the advisory aspects of the general function this will be quite obvious, but it also holds good for the pure auditing aspects. For instance, there are several valuation problems which can only be satisfactorily solved with an insight into the future utilization of the assets concerned; the creation of provisions will mostly be based on future expectations. Furthermore, with regard to the profit and loss account, it is becoming more generally recognized that in principle this is concerned with a relatively incidental break in the life of the enterprise, which requires not only an insight into the past but also into future possibilities.

Perhaps I may be permitted, as the chief internal auditor of the Philips concern, to conclude my remarks on the Dutch professional viewpoint with a few words regarding the internal audit function.

The Dutch viewpoint in this respect may best be described as follows: the duties of the internal auditor are such that, if he were an external auditor, he could report on the annual accounts without any fundamental modification of or extension to his audit work. The conception of the internal audit function entails that the internal auditor has a wider scope of work than the external auditor.

Therefore, what I have said of the auditor's required knowledge in respect of long-term planning is even more true for the internal auditor. In accordance with this viewpoint, in our function within the Philips concern, we certify the internal annual accounts. This certificate is of importance to our external auditors.

Importance of Long-term Planning

It may be known to you that the International Institute of Administrative Sciences (I.I.A.S.) has selected long-term planning as the topic for its meeting this year. This caused the Netherlands Institute of Efficiency to deal with this same subject at its annual conference last year. In preparing this paper I have used some statements which were made in the papers presented at that conference.

Planning, it was stated, is the formulating of an objective which one wishes to realize in a more or less distant future, the review of the possibilities of realization and the determining and systematic grouping of the measures to achieve this realization. Of course, we have all at some time come across other definitions, the more so since each writer and speaker always believes he has found a better one. A very pointed definition which I once heard and which appeals to me very much is: planning is thinking consciously of the future of the enterprise.

It is a fact that as a consequence of the structure of society, of economic events and of technical production processes becoming increasingly complicated and also of the increasing speed with which changes occur, that planning as such has become increasingly important. The further this development progresses, the further one has to look ahead in planning; in other words, the more important does long-term planning become.

One observes that in literature on this subject there is often more stress on the necessity to direct planning in order to maintain the relative position of the enterprise in its branch of industry, rather than on obtaining maximum profits. I believe that this emphasis is due to a misunderstanding and is like putting the cart before the horse. It appears unrealistic to me not to consider profit-making as the ultimate aim of private enterprise.

Now the point is to decide what this striving after

profit means or should mean. One must find what is the best profit for the enterprise, and this need not be necessarily the highest profit in any particular period. It is far more important to strive after a good level of profits which can be maintained as permanently as possible, rather than to try to achieve a short-term high profit. With this permanently good level of profits, the relative market position is an important factor in maintaining the earning capacity. To this example many others could be added to show that the ultimate purpose, and the essential means required to achieve that purpose, are often confused.

The elements which together constitute long-term planning are markets, production, and investments in capital goods as well as in 'human capital'. At the annual conference mentioned previously, one of the contributors presented this as follows. 'The objective we are concerned with is the achieving of balanced growth, which also includes providing for the need for managerial staff. Even early in my career – and that is a long time ago – one of my bosses expressed the same view in a metaphor – "There may be good and bad generals, but there are no good or bad soldiers". Therefore, by taking care that there is an adequate managerial staff the effective running of the organization is ensured.'

I could continue in this way for quite some time and give you a survey of the principles and techniques of long-term planning. However, I do not think this to be appropriate. If I had wanted to present my paper in this manner, the best way would have been to make a thorough study of all publications, sifting the wheat from the chaff and referring you to the wheat.

Logical Development

I feel the need to approach the significance of long-term planning as one of the 'tools' which management has at its disposal in another way. A way which, in my opinion, penetrates into the principles of internal organization and therefore enables us to see long-term planning not as a separate, newly-created aid, but as a logical development in the field of internal organization. Seen in this perspective, long-term planning has an organic place in the complex of aids which are available to management for decision-making. Approached in this way we are not concerned with the question whether an enterprise should either apply long-term planning or not, but with a self-evident matter with a logical consequence of the efforts to maintain the organization of the enterprise on an up-to-date level.

I arrived at this conclusion last year when I prepared a paper to be presented at an employers' conference on the problems of 'innovation'. In that context I read an interesting reflection in the book, *The Landmarks of Tomorrow*, written by the well-known American author, Peter Drucker. In my opinion the reflections on innovation given in this book have a universal significance and are also applicable to long-term planning. These reflections also carry the interested reader back to the origin, and therefore to the essence of the problem. I consider these reflections to be important enough to put them before you in brief.

In itself, innovation is not a new thing; it has existed since the beginning of time. What has changed is the way in which we think of innovation. If, in the past, progress was seen as an inevitable automatic chain of events, in our present way of thinking it is to be considered as an intentional, co-ordinated, directed change, called innovation. Or expressed in another way: innovation is now seen as the resultant of directed human activities.

In the business field, innovation is no longer something special: it is a normal feature of effective management, its realization has become a normal expense to be calculated in costs; innovation makes planning a necessity. It is also true that planning has been in existence since the memory of man, albeit that in the past planning was effected without any conscious system or pattern but nowadays consciously and systematically.

Risks and Responsibilities

Innovation brings with it three risks: challenge, failure, and success. Taking of risks necessitates the defining and accepting of responsibility. This makes planning, and especially long-term planning, an essential element of management. Planning has to be on a sound basis, that is to say, past achievements should not automatically be its starting point nor should it be based on wishful thinking. No, a rational choice must be made from various possibilities, taking into account the risks inherent in each of them, based on a considered judgment; thus planning must be applied in connection with co-ordinated 'innovation-effort'. Such management is automatically long-term management. It takes into account developments in all aids and techniques, whether realized or anticipated in its support.

It is the specific duty of the expert to see that there is balanced growth in the development of management sciences, techniques and methods. The feed-back effect of the available aids and techniques on the development of management is a remarkable phenomenon. Seen in this way, long-term planning is definitely an indispensable aid to a rational, up-to-date management, as well as being the product of evolution – a product which is complementary to all other aids employed in effective management. Thus long-term planning constitutes a form of budgeting adapted to the changed circumstances. To put it even stronger: it is inseparable from budgeting.

In principle and in technique, long-term planning is identical to budgeting, but deviates therefrom in degree of certainty of outcome due to the characteristics inherent in the 'long-term'. The uncertainty factor in outcome is in direct relationship with the span of time from the present to the end of the period covered by long-term planning. Thus we have

the same principles, the same techniques and also the same degree of indispensability as in budgeting. The essential difference is the period to which the planning relates and accordingly the task-setting element will, dependent upon the length of the period, be of greater or lesser strength. On these grounds I consider the interrelationship of budgeting and long-term planning to be of essential significance and I would go as far as to say that these are an entity.

The most recent period of long-term planning is always absorbed into the budget and a new, more remote period, is added to the long-term planning. It goes without saying that the experience in the last budget period will influence the construction of the long-term plan, and that the analysis of the deviations between the figures of the most recent period appearing in the long-term plan and those absorbed into the budget is of significance to the long-term plan.

Before going into the application of long-term planning in the Philips concern I would like to indicate, briefly, that the elements of which the budget and long-term planning consist are in fact directed at the objective of entrepreneurial activity.

As already mentioned the objective of this activity may be deemed to be the making of the most appropriate profit on a continuous basis, which also implies the maintaining of the relative market position and a permanent co-ordinated innovation effort in which, of course, research plays an essential part.

Scientifically based investigations will then lead to the following planning and budgeting:

Activities

(*a*) *Sales*

Here the investigations comprise specification according to products, types, sales outlets, classes of customers, selling methods, etc. Justified results can only be achieved by an expert application of the most refined modern techniques, including the psychological aspects of consumer behaviour.

(*b*) *Production*

Here the questions 'where' and 'how' play a predominent part; in this respect, the investments involved in each of the possible answers to these questions should also be taken into account.

(*c*) *Purchasing and stock policy*

A rational purchasing and stock policy is only possible if operations research and similar refined statistical techniques are applied. Sales, production, purchasing and stock policy are not activities each forming a separate class, but are interdependent activities which therefore must always be seen in their interrelationship.

(*d*) *Profitability*

Profitability must be estimated on a normative basis for all levels in the organization. For this, realistic task settings, that is to say, task settings which are deemed realizable in practice, must be taken into account. Replacement value and allocation of expenditure and revenue to the period to which they economically relate, are necessary if there is to be a rational basis for the determination and analysis of profits, and a basis for comparison is to be created.

Financing

Since budgeting and long-term planning, each in themselves, should form a closed circuit, the master budget will always have to include a balance sheet as at the end of the budget period, and as at the end of each interim period of the long-term plan. This ensures that the financing, both as regards the total amount required and its sources, is included fully in the plan and that the adjusting effect of the financing possibilities on the activity planning has been duly incorporated.

I would like to emphasize that all these elements constitute one comprehensive whole and that each change in any one of these elements usually involves quite a number of changes in the other elements. It is evident that in larger organizations this will give rise to the problem of flexibility, in which respect a computer may bring relief.

Last, but definitely not least, the plan demonstrates the need for managerial staff commensurate with the planned development. This in its turn also constitutes a task-setting, in this case, for the function within the enterprise which is responsible for the long-term planning of 'human capital'.

Application in the Philips Concern

The foregoing may have explained that long-term planning is not a problem on its own, but a problem interrelated with internal organization. If that internal organization is not built in such a way that the plan or the budget can be segregated into autonomous responsibilities, and if it does not have an accounting organization which makes possible the drawing-up of separate accounts per responsibility, then neither the long-term planning nor the budget will meet expectations. Very rightly Mr Peter Drucker, whom I have already mentioned earlier in this paper, observes:

'Most business men still believe that basic decisions are made by top management. Indeed practically all textbooks lay down the dictum that "basic policy decisions are the prerogative of top management" and at most that "top management delegates certain decisions". But this reflects yesterday's rather than today's reality, let alone that of tomorrow. It is perfectly true that top management must have the final say, the final responsibility. But the business enterprise of today is no longer an organization in which there are a handful of "bosses" at the top who make all the decisions while the "workers" carry out orders. It is primarily an organization of professionals of highly-specialized knowledge, exercising autonomous, responsible judgment. And every one of them – whether manager or individual expert contributor – constantly makes truly entrepreneurial decisions, that is, decisions which affect the economic characteristics and risks of the entire enterprise. He makes them not by "delegation from above" but inevitably in the performance of his own job and work.

'For this organization to be functioning, two things are needed: knowledge by the entire organization what the direction, the goals, the expectations are; and knowledge by top management of what the decisions, commitments and efforts of the people in the organization are. The needed focus can only be provided by a long-range planning.'

It cannot be said that in the Philips organization the most modern techniques are applied throughout; nor can it be said that budgets and long-term plans are prepared to perfection. However, it is definitely true that at the top and at lower levels, both at headquarters and in its subsidiaries, people are budget-minded and therefore also think in terms of long-term planning.

More important than perfectionism is the fact that the philosophy has been accepted throughout and that in all the divisions and departments of Philips, people speak the 'language of planning'. Notwithstanding mistakes and deficiencies, this remains the most important feature. With us, budgeting and planning are not something special, something for which one has to sit and think; no, it is a matter of course.

The Philips Organization

An idea of the way in which planning is operating in the Philips concern may best be obtained from a brief outline of its organization. As regards the elements of which the budgeting and planning activities, as explained in the foregoing, consist, it may be said that in the field of budgeting we are very advanced; while in the field of long-term planning we are rather advanced, but definitely less advanced than in budgeting.

Our innovation efforts are also directed at the composition of budgets and long-term plans as such, in the sense that we are continuously striving after an improvement of the aids and techniques to be applied.

The Philips concern is made up of subsidiaries and central divisions, each with its own board of management having a great degree of independence. Each of these units has its own budget and long-term planning and – according to the degree of independ ence – its own financial rendering of accounts, that is to say, an independent accounting system with its relative balance sheet and profit and loss account.

The Philips management consists of the board of management and staff functions. The latter are functionally concerned with creating the conditions required for an efficient fulfilment of the corresponding functions in all independent units of the concern. Group policy decisions flow from central management to the boards of management of the units. In these units these decisions – adapted to the local circumstances – are taken as a basis for budget and long-term planning (four years). These are submitted to central management for approval.

This approval serves a dual purpose. On the one hand, it is the outcome of the review of the budget or the plan as an independent document checked against group policy. On the other hand, it implies that central management has verified that the consolidated plans and budgets of all units lead to an acceptable result, taking into account considerations of capacity (both financial and quantitative). Summarizing, it may be said that the budgeting and planning-activity within the Philips concern is characterized by being: (*a*) a factor in the management of each unit, and (*b*) a consolidation of the underlying units for each successive level of management.

It should be realized that fully analogous to the budgets each month, a comprehensive profit and loss account per division (both geographically and product-wise) and a consolidated balance sheet are prepared. Thus we have at our disposal a complete entity in the field of planning: individual and consolidated budgets and long-term plans, individual and consolidated accounts at short-term with related analyses concerning the variances from budgets. From the latter data, succinct monthly information is prepared for the board of management.

From the foregoing it may be rightly concluded that we are not dissatisfied with the achievements in the field of planning made in our organization. Of course, we are not completely satisfied, but in view of the 'planning spirit' prevailing we have confidence in future development.

I would like to conclude by bringing the auditor once more to the fore. Activities of the auditor concerning long-term planning mean in my view – as you will understand – activities related to the internal organization of the enterprise. This is the accepted viewpoint of the audit function in the Dutch profession. These views do not imply that the auditor should be an expert in all specific fields of the organization, but it does mean that in these fields the auditor is the person of trust for management; on the strength of his observations in the course of his audit, he will be in a position to draw attention to problems which may arise; he can give advice to management – in some cases as a specific expert, and nearly always as a general expert; and in appropriate cases he will be in a position to advise management to call in a specific expert in a particular field.

As a result of enterprises becoming increasingly complex, management at its various levels becomes ever more dependent on the reliability of information submitted to it. On the basis of that information, decisions are taken which often concern very large amounts and which may considerably affect the results of a number of years. I have already explained in the beginning of this paper that the auditor is also interested in this information in his pure audit function. It is high time that the auditing profession became increasingly conscious of the economic function which it can fulfil in the business community, in addition to its primary function aimed at verifying financial accounts.

Weekly Notes

PROGRESS ON THE COMMON MARKET

FOLLOWING the weekend of discussions in Brussels the Lord Privy Seal, Mr Edward Heath, has come down emphatically on the side of optimism about the time schedule for this country's entry into the European Common Market. He said at the beginning of this week that a great deal of hard work would have to be done but it was now agreed that there may be a basis for agreement by the end of July. It would then be possible to put the draft outline of the scheme to the Commonwealth Prime Ministers' Conference in September.

There has been mild optimism in administrative circles for some weeks that negotiations were making progress. This is the first time that a considered optimistic statement has been forthcoming from the political head of the negotiations on the United Kingdom side. It would seem that the basis of the optimism is the amount of useful progress which has been made on the minutiae of the economics of the problem. Even within the economic context there do not seem to have been outstanding major achievements but the bits and pieces add up to progress.

The political side of the negotiations has always been the most difficult in prospect. It would seem, however, that the recent exchanges between Mr Macmillan and President de Gaulle have temporarily allayed fears that the French Government would be hostile throughout the negotiations. The fact remains, however, that the major manoeuvres on the political side may still have to take place. The French Government has not yet finally shown its hand and there is no reason why it should until the negotiations on the political side reach the point where the French view is decisive. That point may come later in the summer.

F.B.I. ON THE OUTLOOK

THE latest inquiry by the Federation of British Industries covers the period May 23rd to June 1st, and, therefore, pre-dates the recent easing of credit restrictions and the nervous state of world stock exchanges. The inquiry shows a rise in the majority who are more optimistic about general conditions than four months ago and a fall in those less optimistic. The change, however, is not sufficient to bring about a net upward balance of opinion.

In general, the situation does not seem to have changed much since the February investigation. At that time there were reports of a downward or level trend in the major business indicators with expectations of improvement. These expectations did not materialize in the period under review.

An important feature of the latest results is the further rise in the proportion of firms working below full capacity. In February, 59 per cent of firms said they had spare capacity and this has increased to 64 per cent. Shortage of orders is increasingly given as the reason for limited output and the other chronic limitation, shortage of skilled labour, seems to be less significant. A growing majority of firms expect to authorize less investment in the next six months. There is a downward adjustment of stocks of raw materials and work in progress, which was reported in February and subsequently confirmed by official statistics.

There is continuing optimism about the export trade. Thirty-six per cent of firms report an increase in export orders and 26 per cent a decline, an upward balance of 10 per cent against 2 per cent in February. The European Common Market continues to be where prospects are improving most rapidly, while prospects seem to be worsening in Africa, Australasia and India.

THE BANK ADVISES

THE current (June) issue of the *Bank of England Quarterly Bulletin* contains the usual summary of the course of recent economic events which is of particular interest at the present time in view of opinion that an early change in the Government's economic policy is needed. Several critics have averred that there is now a real danger, aggravated by conditions in Wall Street, of deflation in the United Kingdom. Hence it is suggested that some stimulus to both investment and, more especially, consumer spending is now overdue. The Bank's *Bulletin* is more cautious, reminding its readers of the circumstances which led to the raising of Bank rate to 7 per cent last July, and adding that in the process of relaxing restraint it is necessary to ensure that 'the seeds of similar trouble are not sown'. It stresses that a rising level of domestic expenditure cannot be sustained without a much higher level of overseas earnings, i.e. exports. There is, adds the *Bulletin*, a danger that relaxation of the present restrictions could easily lead 'to an excessive concentration (of home demand) in certain periods, to the detriment of the overseas trade balance'.

The latest *Bulletin* continues the series of excellent and informative articles on financial topics. An analysis of the distribution of the national debt, which brings up to date the series published in the Radcliffe Report, reveals that the proportion thereof held by the banking sector fell between 1958–1961 from 22 to 16 per cent. A description of the nature of inflows and outflows of foreign funds and their impact upon the monetary system, a further note on the estimates of United Kingdom overseas portfolio investment, together with the voluminous statistical tables, ensure that the *Bulletin* is rapidly becoming a most valuable addition to current literature on the financial scene.

HIGHER TRADE GAP

THE seasonal adjusted external trade gap for May 1962 was £49 million compared with £45 million for the average month so far this year. Exports at £338 million were nearly 6 per cent higher than the monthly average for the first five months of the year, while imports at £412 million were 9 per cent higher. In the year to date exports have been rising steadily, the markets in Western Europe having been particularly buoyant. In addition, there is no longer a fall in shipments to other sterling countries depressing the total. It will be observed that the latest F.B.I. survey of business expectations, mentioned in a note on the preceding page, also takes an optimistic view of export prospects. Last month's rise in imports is thought to have been accentuated by expectation of a dock strike. Nevertheless, the increase last month, coupled with the sudden jump last January, has put the average level of imports above the corresponding level for 1961.

There seems to be little doubt that the run-down in stocks of raw materials is helping to contain the expansion of the import bill. It seems unlikely that this fall can go on much longer and that by the late summer or early autumn industry must start rebuilding its stocks. The continuing buoyancy of exports and the prospect of higher capacity working by industry for the home market as credit restriction relaxations begin to take effect, are likely to cause a gradual filling of the production pipelines. This will occur at a season of the year when sterling is vulnerable. In other words, the modest buoyancy in exports must build up to a higher level of activity over the next three months if the visible trade gap is to be kept within modest proportions.

EFTA's FOREIGN TRADE

A BOOKLET issued by the Secretariat of the European Free Trade Association called 'EFTA's Foreign Trade' sets out the trading experience of the members of EFTA for the year ended June 30th, 1961. It points out that the United Kingdom accounted for over half of EFTA's world exports, followed by Sweden and Switzerland. Likewise the United Kingdom was the main importer. The net balance of trade showed imports exceeding exports by 24 per cent. About two-thirds of this was with the European Economic Community and about one-third with the United States. All EFTA countries had an individual net trade deficit, the largest import surplus being for the United Kingdom and for Norway.

During the period under review EFTA's world trade balance deteriorated slightly. Taken as a whole, by the end of June 1961 exports covered about 80 per cent of imports. The best performance was by Sweden with 92 per cent and the worst by Portugal with 53 per cent.

So far as trade among members of EFTA was concerned, this expanded over the period by about 12 per cent compared with a 10 per cent increase to the European Economic Community and with 5 per cent to the rest of the world. There was a slump of 20 per cent in trade with the United States.

CREDIT SQUEEZE IN ENGINEERING

THE Engineering Industry's Association has recently circulated its members about the use of trade credit brought about by the conditions of the recent credit squeeze. Although this investigation has been confined to the engineering industry it is of interest to many others, for throughout industry one effect of the credit squeeze was to slow up the payment of bills.

The Association asked members to give their turnover in the last quarters of 1960 and 1961 and also the total of debtors' balances owing to them at the end of each of these quarters so that the ratio could be calculated of the total of debt to the preceding quarter's turnover.

Some 226 firms responded to the questionnaire and the following general conclusions emerged. In the 1960 quarter, smaller firms normally gave somewhat shorter credit terms than larger ones. There was a significant change, however, in 1961. Small firms found themselves granting longer credit terms than the largest firms. The medium-sized firms remained highest in the term of credit granted but the increase of 1961 over 1960 was less than that suffered by the small firms.

The Association points out that at times of credit squeeze it is inundated with complaints from its smaller members, who are least able to cope with the strain imposed, about slow payment of bills. The Association points out that the Government imposed the credit squeeze to regulate the economy and curb inflation and expects the impact to be equitable, a state of affairs which this survey shows is not so. The fact is, of course, that any form of monetary control is rarely equitable. Those most vulnerable and most easily put under pressure to reduce their credit are the ones who are affected first. This is true whether it is professional accounts with the banks or small companies in all industries. The real answer to the credit squeeze to avoid financial embarrassment is to refrain from over-trading and to keep adequate liquid reserves.

INSTITUTE OF ACTUARIES' ANNUAL MEETING

IN his address at the annual general meeting of the Institute of Actuaries last Monday the retiring President, Mr J. H. Gunlake, C.B.E., F.I.A., referring to membership and recruitment, said that for the first time since 1958 the number of students again exceeded 1,000 and that, at over 1,000 and 2,500 respectively, the number of Fellows and the total membership were at the highest levels ever attained. Careful investigation had been made into the future need for actuaries over the next ten years, and it had been decided that the Institute should continue to be

active in the recruitment of new entrants of the right standard of ability, including a high proportion of university graduates.

While the training and examination of students, he said, imposed a heavy burden on the Institute's qualified manpower, the need for research had not been overlooked and in this area it was hoped to make an announcement regarding the future of the Actuaries' Investment Index at an early date. There was, however, a need for more activity by the members both in research and the preparation of original papers for sessional meetings of the Institute.

Turning to the future the President referred to the Institute's booklet appealing for an independent advisory body on National Pensions, and asked whether they dare hope that the National Economic Development Council might take an interest in the subject. He also drew attention to the National Productivity Year planned for 1963 and said that in his opinion even professional men can often increase their contribution to the national output by improved methods of organization and work study.

Mr Gunlake described the one hundred and fourteenth year of the Institute's existence as one of extensive and important achievement. The first international congress of actuaries to be held in the United Kingdom for thirty-seven years was being planned for 1964.

The new President of the Institute is Mr K. A. Usherwood, M.A., F.I.A.

This is My Life . . .

by An Industrious Accountant

CHAPTER 129

I KNOCKED sharply on the door of the sales manager's office, and entered to find him in conference with his senior assistants. Scotty looked up with a wary grin. 'Ye ken the fire in his e'e, laddies', he remarked. 'I'm thinking that loon Browne's at the root of the trouble.'

He was right; Browne was. In fact, that customer has been a thorn in our side for months past. It started when I got a personal letter from him apologising courteously for his account being a little overdue and asking for our esteemed indulgence in connection with the enclosed further order. The said account was very overdue and much too high; the ledger clerk, somewhat inexperienced, had really been caught napping.

Stern measures were taken with Browne, but to little effect. It was necessary to threaten a writ before he yielded far enough to send us a small currently-dated cheque, plus four post-dated ones. Three days before the first of them was due he wrote asking us to hold it for a further fortnight. We replied in outraged protest; after ten days came a letter from his wife saying he was too ill to attend to business. 'He's no fule', said our S.M. approvingly, 'he doesn't miss a trick.'

My private grapevine told me that Browne was hale and hearty; I already knew he had a public house as well as his drapery shop. It was a surprise, therefore, when his cheque was ultimately returned to us by the bank, marked R.D.; this particular morning it had bounced again, hence my indignation. Scotty had interceded for his old friend Browne all along the line; now I had to tell him our solicitors had been instructed to issue a writ. Justice, I had pleasure in pointing out, was about to be seen to be done.

But still Scotty pleaded for time. Why bankrupt a customer by going to extremes and perhaps lose 15*s* in the £? he asked; why not insist on further instalments instead? We knew Browne had resources somewhere; it was a question of strategy at this stage. We finally compromised; we drove off together for a summit ultimatum, to give the old defaulter another chance.

Little good we did, however. Browne proved to be an autocratic, pompous character with marked lack of co-operation; he seemed to regard our threat of foreclosure as tactless bluff. His family had traded with us for generations and were regarded locally as leading citizens; to stoop to sordid business details was clearly distasteful to him. In Mr Pickwick's Club the term 'haberdasher' was an insult; Browne would have felt the same. True, his shop was far from prosperous, but he'd pay shortly; the public house actually belonged to his brother, who'd surely tide him over if really pressed. Browne poured enormous tumblers of whiskey with lordly condescension; our money seemed very remote.

He talked on arrogantly about the changes in social values nowadays; the old estates sold, the grand old families vanished, the influx of strange new immigrants. Scotty agreed dispiritedly; I threw in thoughtlessly what seemed an appropriate couplet:

'But a bold peasantry, their country's pride,
When once destroyed, can never be supplied.'

The result was electrifying. Browne jumped up furiously. 'Who're you calling a peasant?' he roared at me, his face crimson. Scotty, shocked into wakefulness, almost had to hold him down. Some ancient sore spot had clearly been touched; Browne's hands were shaking with emotion.

Well, he calmed down at last; he wrote a big cheque for us with tight-lipped dignity and showed us out like intruders. The bank duly honoured it; we've had no trouble with him since. You know, people are unpredictable. I'd like to know the story behind his injured mask of family pride.

Finance and Commerce

Relay Exchanges

THE reprint this week is from the report and accounts of Relay Exchanges Ltd, a name probably known to readers who may receive their TV and radio through the Rentaset organization or over the 'wired' service. That is the basic business. The company also has Goodmans Industries making loudspeakers and vibration test equipment, Monk Metal Windows, Metal Developments making aluminium lamp-posts, and Recordaphone which provides a telephone answering and dictating machine. Mr J. W. C. Robinson, M.B.E., is at the head and the directors include Mr J. W. Kinsman, F.C.A. (secretary) and Mr B. H. J. Daniel, F.C.A. (controller).

An important point in these accounts is the very substantial provision for renewals. Mr Robinson, for the benefit of new shareholders, gives a 'lengthy explanation of our depreciation policy so that it may be fully understood and the benefit entailed for future profit prospects fully appreciated'. The purpose is as he says, 'to maintain our shareholders' capital now mainly invested in television sets on hire to the public.'

Due to changes in fashion and the evolution of new techniques, the nature of these assets is such that they have a comparatively short life, even when well maintained. Fortunately, many long-standing customers are content to continue using older types of sets to obtain the benefit of the annual reductions in rental allowed by the company.

Heavy Provision

Mr Robinson says the need for the heavy depreciation provisions has been recognized as sound and justified 'even by those responsible for assessing our appropriate allowances for depreciation for taxation purposes'. But, he adds, there has been trade criticism against the form of the allowances by competitors anxious to handicap rental for the benefit of increased retail sales of TV sets by hire-purchase. 'If these taxation arrangements were singled out for discriminatory treatment to mollify competitors, we would naturally object', he says.

Despite the heavy provision of sets already made, absorbing about 75 per cent of the year's surplus, the board is contemplating setting aside in 1962 – out of the balance of profit carried forward – a sufficient sum which, with appropriate tax adjustments involved, would finally write off the remaining cost of TV sets with screen sizes less than seventeen inches. Smaller-screen sets, however, are at present still revenue-earning assets.

What will emerge from the Pilkington Committee and its awaited report is a big uncertainty. It is most desirable, says Mr Robinson, that the company should be able to make provision to write off sets which may not be suitable for conversion to suit new systems of broadcasting that may come. But his view is that none of the possible changes could come so rapidly as seriously to affect the prospect of maintaining earnings. And if drastic changes do come, he believes they would create greater opportunities for rental than ever before.

Competition

Main competition for rental is hire-purchase. In 1961 it was competition on 'uneconomic terms' which arose from the overproduction of TV sets by manufacturers in 1960. Manufacturers and hire-purchase finance companies, says Mr Robinson, 'joined together to persuade the retail trade to rush into rental at panic prices. These rentals were based on purchases of sets at far below normal prices. The fact that television rental is a long-term business in which the main expenses are incurred by the maintenance of service over a number of years, was disregarded'.

It may have served the purpose of manufacturers in so far as the sets were shipped out of the factories, he goes on, but it is resulting in 'painful experiences for the unlucky retailers who were encouraged to over-trade recklessly'; and 'heavy losses will eventually come home to the manufacturers who gave long-term credits indiscriminately and the hire-purchase companies who advanced money on the assumption of the security of this kind of business brought to them by small retailers, based on cut-price rentals'.

The experience of this company, over the years, is that on each hiring, sets do stay out on average for not more than about two years, after which they need an expensive overhaul before re-issue. 'It is completely wrong', says Mr Robinson, 'to equate rental with hire-purchase as one and the same thing'. The essential appeal of rental is the customer's avoidance of responsibility without entry into long commitment and being able to change the set as often as desired.

Disillusioned

Mr Robinson reckons that the severe competition of 1961 and early 1962 will soon be over. He believes that the hire-purchase finance companies which assumed it was possible for comparatively small businesses to embark on a programme of rapid and extensive development in competition with the well-established rental business, on rentals at current levels, and which expect these concerns to pay the cost of hiring money at high rates of interest, high shop rents, advertising and development expenses, will be disillusioned.

Meantime, there remain the control of hiring

orders of the Board of Trade and the underlying effort to equate conditions between rental and a hire-purchase system under Government anti-inflation regulations. The orders require a rental customer to make a down payment of not less than three months' rental before a set is delivered, unless the set is over three years old. But the hire-purchase promoters, Mr Robinson says, resent the fact that the down-payment on a hire-purchase contract is 20 per cent of the selling price, which generally works out at more than the rental down-payment. Remove all controls on rental and hire-purchase, he says, and 'our business would flourish still more'. But, he observes, 'it is worthy of note that we have a growing interest in retailing and hire-purchase trading which we are capable of expanding if the opportunities justify it'.

Running Broker

THE discount market, to the uninitiated, is probably a complicated enough institution anyway without the use of a term which may have puzzled some of our student readers when we referred to Gerrard & Reid, the discount company, in our issue of May 26th. The company, we said, originated in the firm of running brokers, Gerrard & Middleton, established in 1870. What were 'running brokers'?

In fact, they went their rounds of the City making a living as intermediaries between buyers and sellers

RELAY EXCHANGES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1961

Year ended 31st December 1960				
£	£		£	£
4,235,620		**PROFIT ON TRADING** before charging items below		4,483,972
		Directors' remuneration:—		
	7,575	Fees	6,719	
	40,147	Other emoluments	42,397	
	47,722		49,116	
		Provisions for:—		
	167,392	Depreciation—freehold and leasehold property, office furniture and motor vehicles	125,243	
	2,580,005	Renewals of plant, trunk wiring, television and radio receivers	2,973,320	
	135,438	Interest on loan stock—gross	193,250	
	7,618	Interest on loans—gross	5,519	
	89,879	Discounting charges	75,106	
	5,071	Audit fees and expenses	5,340	
	—	Preliminary expenses written off	295	
3,033,125				3,427,189
1,202,495		**SURPLUS ON TRADING BEFORE TAXATION**		1,056,783
		TAXATION:—		
		Relief received in respect of investment allowances: 1960—£399,340; 1961—£463,282		
	27,697	Income tax assessable 1962/63 on profits as consolidated	—	
	21,418	Profits tax	23,005	
	128,555	Equalisation of taxation	82,132	
177,670				105,137
1,024,825		**BALANCE OF INCOME AFTER TAXATION**		951,646
568,304		Dividends paid and proposed less income tax		582,165
		BALANCE OF INCOME:—		
456,521		Retained by the group		369,481
51,562		Retained by subsidiary companies		6,844
404,959		Dealt with in the accounts of Relay Exchanges Limited		362,637
354,152		Brought forward by Relay Exchanges Limited as at 31st December, 1960		759,111
		BALANCE proposed to be carried forward:—		
759,111		Relay Exchanges Limited		1,121,748
		Subsidiary companies:—		
	75,767	Brought forward as at 31st December, 1960	127,329	
	51,562	Income of year retained	6,844	
127,329				134,173
£886,440				£1,255,921

RELAY EXCHANGES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1961

As at 31st December 1960					As at 31st December 1960				
£	£		£	£	£	£		£	£
		ISSUED CAPITAL OF RELAY EXCHANGES LIMITED					**FIXED ASSETS**		
4,526,069				4,526,069					
						21,125,524	Plant, television sets, freehold and leasehold properties, etc. (notes 1 and 2)	25,822,953	
717,486		**CAPITAL RESERVES** (note 3)		720,834					
		REVENUE RESERVES							
						299,170	Goodwill and trade marks, including net premiums paid on acquisition of shares in subsidiaries	332,165	
	1,000,000	General reserve	1,000,000						
					21,424,694				26,155,118
	886,440	Profit and loss account per attached account	1,255,921						
1,886,440				2,255,921					
7,129,995				7,502,824					
		FUTURE INCOME TAX			14,849		**TRADE INVESTMENTS** at cost		40,202
	76,521	Estimated liability due on 1st January, 1963	72,462						
	1,024,592	Equalisation of taxation account (note 4)	1,106,724						
1,101,113				1,179,186					
		LOANS AND ADVANCES					**CURRENT ASSETS**		
	2,750,000	6¼% Unsecured loan stock 1979/84	2,750,000			841,063	Stocks at or under cost	1,161,846	
	356,250	6% Unsecured loan stock 1962/65	356,250			533,233	Debtors and prepayments	546,260	
	95,053	Mortgages on property	79,212			605,571	Bank balances and cash in hand	47,249	
	617,530	Discounting advances (note 5)	848,218		1,979,867				1,755,355
	250,000	Other advances	600,000						
4,068,833				4,633,680					
		PROVISIONS FOR RENEWALS OF FIXED ASSETS (note 2)							
8,538,955				11,410,011					
							Signed on behalf of the Board,		
		SUBSCRIBERS' RENTALS IN ADVANCE					J. W. C. ROBINSON G. GAMBLE } *Directors*		
398,179				103,686					
		CURRENT LIABILITIES							
	1,067,249	Bills payable and amounts outstanding for sets delivered	1,525,203						
	613,504	Creditors and accrued charges	751,326						
	155,055	Taxation	134,516						
	346,527	Proposed dividend (net)	360,388						
	—	Bank overdraft	349,855						
2,182,335				3,121,288					
£23,419,410				£27,950,675	£23,419,410				£27,950,675

This balance sheet should be read in conjunction with the notes on pages [808]

RELAY EXCHANGES LIMITED AND SUBSIDIARY COMPANIES

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 1961

Note 1. FIXED ASSETS of Relay Exchanges Limited and subsidiary companies.

As at 31st December, 1960	Relay Exchanges Limited	As at 31st December, 1961 Cost	Depreciation	
£		£	£	£
16,195,595	Television sets and accessories	19,435,193	—	19,435,193
2,286,832	Television aerials	2,962,036	—	2,962,036
9,200	Radio receivers and loudspeakers	196,380	—	196,380
26,527	Plant, trunk wiring and installations	37,445	—	37,445
535,276	Motor vehicles	677,995	356,427	321,568
87,572	Office furniture	165,890	24,505	141,385
600,465	Freehold property	901,131	38,505	862,626
154,005	Leasehold property	236,477	37,582	198,895
99	Goodwill	99	—	99
£19,895,571		£24,612,646		
367,781	Less: Depreciation		£457,019	
£19,527,790	Net book value			£24,155,627

As at 31st December, 1960	The Group	As at 31st December, 1961 Cost	Depreciation	
£		£	£	£
16,421,062	Television sets and accessories	19,801,419	—	19,801,419
2,287,141	Television aerials	3,012,267	—	3,012,267
202,147	Radio receivers and loudspeakers	198,380	—	198,380
655,848	Plant, machinery, trunk wiring and installations	780,210	—	780,210
606,047	Motor vehicles	738,606	393,099	345,507
178,672	Office furniture	242,073	56,295	185,778
1,013,518	Freehold property	1,329,398	56,122	1,273,276
235,593	Leasehold property	268,724	42,608	226,116
£21,600,028		£26,371,077		
474,504	Less: Depreciation		£548,124	
£21,125,524	Net book value			£25,822,953

Note 2. Replacement of certain fixed assets is provided for by the provision for renewals. Details of these provisions are:—

As at 31st December, 1960 The Group	Relay Exchanges Limited		As at 31st December, 1961 Relay Exchanges Limited	The Group
£	£		£	£
6,817,819	6,737,020	Television sets and accessories	8,961,485	9,107,994
1,193,323	1,193,142	Television aerials	1,727,887	1,734,821
190,473	920	Radio receivers and loudspeakers	178,791	180,791
337,340	125,478	Plant, machinery, trunk wiring and installations	143,439	386,405
£8,538,955	£8,056,560		£11,011,602	£11,410,011

The total provision of £11,011,602 in the balance sheet of Relay Exchanges Limited includes £124,838 which relates to plant, trunk wiring and installations of subsidiary companies.

Note 3. The movements on capital reserve are as follows:—

	Relay Exchanges Limited	The Group
	£	£
Share premium account:—		
Balance as at 31st December, 1960	712,091	712,091
Less: Stamp duty on acquisition of new company	226	226
	711,865	711,865
Profit on sale of certain fixed assets:—		
Balance as at 31st December, 1960	—	5,395
Transferred during year	—	3,574
	£711,865	£720,834

Note 4. The amount set aside for equalisation of taxation is calculated at current rates of taxation on the excess of the net book value of fixed assets of the Group eligible for capital allowances over the written down value of such assets for tax purposes.

Note 5. Discounting advances—This sum represents monies received on the sale of a proportion of future rentals receivable.

Note 6. At 31st December, 1961 there were commitments for capital expenditure not provided for in these accounts amounting to approximately £333,000.

of bills of exchange. For various reasons, some houses could be short of maturities for a particular day or days; others could find their bill portfolio possibly a little heavy. The state of the market at any particular time could much depend on whether daily money was 'easy' or in short supply.

In the atmosphere of urgency that can develop as banking hours draw to a close, it is not difficult to imagine running brokers actually running, especially when it is realized that in those days there were no telephones in the City. The first City telephone exchange did not arrive until 1879 – actually at No. 36 Coleman Street. Everything had to be done by personal contact which was largely provided by the running brokers. Such was business life in this mid-Victorian era – with no phones, no motor-cars, no adding machines and hardly a typewriter.

Unclaimed Dividends

A SMALL matter of interest in company administration is provided by the action being taken by The Shanghai Electric Construction Co Ltd in regard to unclaimed dividends. With an issued capital of £670,000 – to give the figure perspective – unclaimed dividends appear in the balance sheet at £3,476.

Action takes the form of a special resolution to insert a new article in the articles of association. It reads: 'The payment by the directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect thereof and any dividend or other moneys in respect of a share unclaimed after a period of twelve years from the date when such moneys became or become payable shall be forfeited and shall revert to the company provided that the directors may remit such forfeiture if in any case they shall in their absolute discretion think fit to do so.'

According to Mr H. Ockford, the chairman, the dividends unclaimed go back to a period prior to 1941. The directors feel the company could usefully employ the money and that its liability should be discharged.

The fact that of the board of three, Mr Ockford and Mr F. W. Wills are chartered secretaries and the third director is Mr A. G. Touche, F.C.A., should give absolute assurance that everything is in proper form.

CITY NOTES

STOCK-MARKETS have continued to feel their way in the past few days. The City's weather eye is still on Wall Street, but the shock waves of movements in that centre seem to be damped down to some extent on reaching this side, following the object lesson of the switchback movement of 'Black Monday'.

There is a tendency to look for a slightly improving economy at home. A further cut in Bank rate would occasion no surprise and would be taken largely as an indication that the slight 'ease' was still in progress.

Company news continues to be like the curate's egg, and it is evident that in many instances the pace of growth has slowed considerably. Nevertheless, a number of company chairmen find it possible to be guardedly optimistic as to the future.

Provided the market is spared any heavy political shocks, especially from overseas, selective recovery in prices is to be anticipated. Emphasis, however, must be on selection, for it is not past records but future prospects which must be assessed. Yields based on past dividends can, in some instances, prove most misleading.

Under such conditions, however, new share offers have to be on quite attractive terms and in this sphere, too, careful choice might well provide profitable long-term investment. Stock-markets are not without interest for the shrewd investor.

RATES AND PRICES

Closing prices, Wednesday, June 20th, 1962

Tax Reserve Certificates: interest rate (24.3.62) 3%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

April 13	£4 6s 8·54d%	May 18	£3 17s 1·04d%
April 19	£4 5s 4·31d%	May 25	£3 16s 3·81d%
April 27	£4 1s 0·54d%	June 1	£3 15s 7·98d%
May 4	£4 1s 9·72d%	June 8	£3 15s 0·28d%
May 11	£3 19s 8·71d%	June 15	£3 14s 4·01d%

Money Rates

Day to day	2½–3¾%	*Bank Bills*	
7 days	2¾–3⅞%	2 months	3⅞–3 15/16%
Fine Trade Bills		3 months	3⅞–3 15/16%
3 months	5½–6%	4 months	3⅞–3 15/16%
4 months	5½–6%	6 months	3⅞–4%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·80 15/16–·81	Frankfurt	11·21⅜–⅝
Montreal	3·06⅛–⅜	Milan	1743¼–¾
Amsterdam	10·09¼–¾	Oslo	20·04–¼
Brussels	139·75¼–¾	Paris	13·76¼–¾
Copenhagen	19·34¼–½	Zürich	12·12–½

Gilt-edged

Consols 4%	63 9/16	Funding 3% 59–69	85
Consols 2½%	40 5/16	Savings 3% 60–70	81⅞
Conv'sion 5¼% 1974	91 11/16	Savings 3% 65–75	72 5/16
Conversion 5% 1971	91 7/16	Savings 2½% 64–67	88⅛
Conversion 3½% 1969	87¾	Treasury 5½% 2008–12	90⅜
Conversion 3½%	55⅝	Treasury 5% 86–89	84⅛
Exchequer 5½% 1966	100 21/32	Treasury 3½% 77–80	70 11/16
Funding 5½% 82–84	91	Treasury 3½% 79–81	71
Funding 4% 60–90	88 5/16	Treasury 2½%	40¼
Funding 3½% 99–04	60 7/16	Victory 4%	96⅜
Funding 3% 66–68	87⅜	War Loan 3½%	55⅜

Current Law

Merchantability in c. & f. Contract

IN *Mash & Murrell Ltd v. Joseph I. Emanuel Ltd*, ([1962] 1 All E.R. 77, note) the Court of Appeal reversed the decision of Diplock, J. (as he then was) ([1961 1 All E.R. 485; *The Accountant*, August 12th, 1961, where the facts are set out). The appeal is not fully reported, but it appears that their lordships took the view that on the facts there was no sufficient ground for inferring that the potatoes when put on board were not fit to travel on a normal voyage so as to constitute a breach of the warranty, which the Court assumed for the purposes of the appeal was implied in the contract, that the potatoes when put on board were in such a state that, after a normal voyage, they would on arrival be in such a condition as to be suitable for the purpose for which the plaintiffs required them. The Court held that the proper inference on the facts proved and on the balance of probability was that the potatoes remained unventilated, probably continuously for five days and nights in hot summer weather while the ship was in Cypriot waters, and that heat asphyxiation resulting was the initial cause of the cargo's deterioration. The voyage was therefore not a normal voyage.

Freeholders Leasing to Themselves

IN *Rye v. Rye* ([1962] 1 All E.R. 146) the House of Lords disapproved on the facts of the decision of the Court of Appeal ([1960] 3 All E.R. 810; *The Accountant*, July 8th, 1961, where the facts are set out), but affirmed it on different legal grounds. Two matters of great importance have been decided by the House of Lords. First, the word 'conveyance', defined in section 205 (1) (ii) of the Law of Property Act, 1925, applies, unless the context of a particular enactment otherwise requires, only to an instrument in writing, as opposed to an oral disposition. Similarly, in the absence of a special context, a person cannot 'convey', within the meaning of that section, by word of mouth. Secondly, section 72 (3) of that Act, which provides that a man may convey land to or vest land in himself, does not enable him to grant a lease to himself, nor several persons to grant a lease to themselves. Viscount Simonds in his speech demonstrated how extraordinary, and indeed meaningless, such a transaction would be, even if the lease granted did not immediately merge in the higher estate out of which it was granted. Lord Denning described as 'a fantastic notion' the proposition that a man could grant a tenancy to himself.

Annulment of Bankruptcy: Revival of Unproved Debt

THE landlord of a farm was indebted to the tenant as the result of an arrangement between them. The tenant died and his personal representatives called on the landlord to render an account of what was due from her. The landlord had been adjudicated bankrupt on the petition of the tenant in respect of another debt, but the bankruptcy was anulled under section 29 (1) of the Bankruptcy Act, 1914, the order reciting that the Court was satisfied that the debtor had paid all her proved debts in full. The tenant had not proved in the bankruptcy for the debtor's liability under the arrangement referred to, and the question was whether the personal representatives were now entitled to sue. Where a proof is rejected by the trustee in bankruptcy, then the claimant is, by virtue of section 29 (2), bound, notwithstanding that the bankruptcy is subsequently annulled.

In *More v. More* ([1962] 1 All E.R. 125) Cross, J., held that the position was otherwise where there had been no proof in the bankruptcy. In so holding he applied a *dictum* of Vaughan Williams, L.J., in *Re Keet* ([1905] 2 K.B. 666, at page 674) to the effect that 'debts' in section 35 of the Bankruptcy Act, 1883 (to which section 29 (1) of the Act of 1914 corresponds), did not extend to provable debts which had not been proved. Accordingly, Cross, J., held that the plaintiffs were entitled to the account for which they asked.

Unpaid Vendor of Shares

IN *Musselwhite and Another v. C. H. Musselwhite & Son Ltd and Others* ([1962] 1 All E.R. 201) the plaintiffs claimed a declaration that the annual general meeting of the company for the year ending May 31st, 1958, was invalid, and hence that every resolution passed at it was irregular and invalid. The plaintiffs' claim was based on the fact that they were shareholders of the company who had not been given notice of the meeting. In fact they had sold their shares to the second defendant, who was one of the only two other shareholders, under an agreement whereby part of the purchase price was to be effected by instalments over a period of five years. Executed transfers had been handed over to a third party, but the plaintiffs remained the registered holders of the shares. They accordingly contended that, as unpaid vendors, they were entitled to exercise the voting powers attached to the shares registered in their names, albeit they were liable to the purchaser if they took, or to challenge by him if they threatened to take, action damaging the subject-matter of the purchase. *Siemens Brothers & Co Ltd v. Burns: Burns v. Siemens Brothers Dynamo Works Ltd* ([1918] 2 Ch. 324) is authority that where shares are transferred to and registered in the name of a mortgagee, he, as owner at law of the shares, has the voting rights in respect of them.

Applying that decision, Russell, J. (as he then was) in the *Musselwhite* case held that an unpaid vendor remaining on the register was not to be regarded as being in a weaker position than a mortgagee and retained *vis-à-vis* the purchaser the prima facie right to vote in respect of the shares registered in his name. It followed that the plaintiffs were entitled to the declaration which they sought.

FOR STUDENTS

JOINT VENTURE ACCOUNTS

'JOINT venture' is defined in *Bell's Principles.* Art. 392, as follows:

> 'Joint adventure or joint trade is a partnership confined to a particular adventure, speculation, course of trade or voyage, and in which the partners, either latent or known, use no firm or social name, and incur no responsibility beyond the limits of the adventure.'

Thus the partnership is no different from an ordinary one, except that it is of a limited nature.

From an accounting viewpoint, there are two main ways in which the financial transactions may be recorded, (*a*) where a separate set of books is opened for the transactions, and (*b*) where a separate set of books is not maintained.

(*a*) Where a Separate Set of Books is Kept

Where the venture is of sufficient importance to warrant the maintenance of a separate set of books, in all probability a joint bank account would be opened, therefore the transactions would be recorded in precisely the same manner as those of an ordinary partnership. Thus, anything paid into or withdrawn from the joint bank account by any of the venturers, would be credited or debited to the relevant capital account of the venturers concerned.

It is not essential, however, for a special bank account to be opened, although a separate set of books may be maintained to record the transactions. In this event, the capital account of each venturer disbursing or receiving cash in respect of the venture would be credited with the disbursements made by him (the appropriate expense accounts being debited), and debited with the amounts collected by him.

At the end of the venture, the profit and loss account of the venture will be prepared, and each venturer's share of the profit or loss will be transferred to his capital account.

We have been considering so far, the entries made in the joint books opened specially for the venture. It must be appreciated, however, that each venturer must also take cognizance of the transactions of the venture in his own individual books, even though a separate set of books is maintained for the venture.

Example

Iron and Steel entered into a joint venture to buy and sell second-hand motor-cars. Profits and losses were shared: Iron as to two-thirds and Steel as to one-third. A separate set of books was kept, but no separate bank account was opened, each venturer paying for his individual purchases and disbursements and receiving the amount due for sales effected.

On August 16th, 1960, Iron purchased two cars for £320 and £480, respectively. He incurred expenditure of £120 on repairs and on September 1st, 1960, sold one of the cars for £400 and on September 10th, the other car for £620.

On September 12th, he purchased a further car for £600 which was sold on September 20th, for £800, which amount was paid to Steel by Iron.

On August 12th, 1960, Steel purchased a car for £400 which he sold for £500 on August 15th, having incurred expenses of £40 on it. This car was returned by the customer on August 20th who was allowed £480 for it. As this car was still unsold on September 30th, it was agreed it should be taken over by Iron at a valuation of £450.

On September 39th, 1960, the sum required in full settlement between the venturers was paid by the party accountable.

(*b*) Where Separate Books are not Kept

If no separate set of books is maintained for the venture, each party will record in his own books his transactions relating to the venture. It is important to appreciate that the venturer only records in his books the transactions that affect him and to which he is a party. The book-keeping entries are as follows:

(1) Each venturer opens in his books an account headed 'Joint venture with . . .'. This account is debited with any payments made on behalf of the venture, cash or creditors being credited. When a sale takes place, the venturer effecting the sale credits his 'Joint venture with . . .' and debits cash or debtors.

(2) A 'Memorandum joint venture account' is then prepared, this account corresponding to the profit and loss account of an ordinary business. It must be appreciated that this account does not appear in the books of either party, but is prepared from the transactions appearing in the books of the individual venturers and combines the items in the joint accounts, except the *contras.*

(3) Once the result is ascertained, each venturer debits or credits his own share of profit or loss to his 'Joint venture with . . . account' and credits or debits his own profit and loss account. The balance on the joint account, if the venture is completed, represents the amount due from or to the other venturer.

It is likely in practice that the venture will not be completed at the time the accounts of one or both of the parties are normally closed, and thus it is necessary for the profit or loss to date to be ascertained. In order to do so, it is necessary for the unsold stock to be valued and the basis of valuation should be similar to that adopted in the case of consignment accounts, viz., at cost plus a proportion of the expenses incurred in getting the stock into its present condition and location, restricted to the market value, if lower.

It is important to realize that the stock is the property of the venture, *not* of the individual venturers, and for the purpose of interim settlements each party should carry forward in his joint account his proportion of the value of the stock in the ratio in which he shares profits.

If an immediate settlement between the parties is not required, it is sufficient for each venturer to balance his Joint venture with . . . account', bringing down the balance disclosed thereon and deferring settlement until completion of the venture.

Example

Kneadle and Thrade entered into a joint venture to buy and sell a quantity of linen goods. Profits and losses were to be shared as to Kneadle two-thirds, and Thrade one-third, and each was to be entitled to a commission of 5 per cent on sales effected by him.

On January 1st, 1961, Kneadle purchased the goods at a cost of £8,200 financed, in part, by a loan of £2,000 obtained from Studd on behalf of the venture.

On January 12th, Kneadle sent to Thrade goods which had cost £6,200 and paid carriage £93. On the following day Thrade paid £3,141 to Kneadle and £31 handling charges.

By March 31st, when the parties agreed to effect an interim settlement between themselves, Thrade had sold the goods sent to him except a quantity which had cost £300 and paid £2,030 to Studd in settlement of his loan and accrued interest. The stock of unsold goods with Kneadle amounted to £900, at cost price. All sales, both by Kneadle and Thrade, were for cash at a uniform price of 40 per cent above the purchase price of the goods.

The remainder of the goods were sold by April 30th, 1961, on similar terms and the venture was finally closed.

Capital Accounts

1960		*Iron* £	*Steel* £	1960		*Iron* £	*Steel* £
Aug. 15	Sales		500	Aug. 12	Purchases		400
Sept. 1	,,	400			Expense		40
,, 10	,,	620		,, 16	Purchases	800	
,, 20	,,	800			Expenses	120	
	Cash from Iron		800	,, 20	Sales account, allowance on car returned		480
,, 30	Car taken over	450		Sep. 12	Purchases	600	
	Cash from Steel	270		,, 20	Cash to Steel	800	
				,, 30	Share of profit	220	110
					Cash to Iron		270
		£2,540	£1,300			£2,540	£1,300

Purchases Account

1960		£	1960		£
Aug. 12	Steel: capital account – one car	400	Sept. 30	Profit and loss account	1,800
,, 16	Iron: capital account – two cars	800			
Sept. 12	,, ,, ,, – one car	600			
		£1,800			£1,800

Sales Account

1960		£	1960		£
Aug. 20	Steel: capital account – allowance on car returned	480	Aug. 15	Steel: capital account – sales	500
Sept. 30	Profit and loss account sales	1,840	Sept. 1	Iron: capital account – sales	400
			,, 10	,, ,, ,, ,,	620
			,, 20	,, ,, ,, ,,	800
		£2,320			£2,320

Repairs Account

1960		£	1960		£
Aug. 12	Steel: capital account – repairs	40	Sept. 30	Profit and loss account	160
,, 16	Iron: ,, ,, ,,	120			
		£160			£160

Profit and Loss Account

	£	£		£
Purchases		1,800	Sales	1,840
Repairs		160	Car taken over by Iron	450
Balance, net profit:				
Iron: two-thirds	220			
Steel: one-third	110			
		330		
		£2,290		£2,290

BOOKS OF KNEADLE: JOINT VENTURE WITH THRADE

1961		£	1961		£
Jan. 1	Cash – purchased goods	8,200	Jan. 1	Cash – loan from Studd	2,000
„ 12	Cash – carriage paid	93	„ 13	Cash – from Thrade	3,141
Mar. 31	Commission on sales	77	Mar. 31	Cash – sales to date	1,540
	Share of profit to date	1,441		Cash – from Thrade in settlement	2,326
				Balance carried down – unsold stock	804
		£9,811			£9,811
Apr. 1	Balance brought down	804	Apr. 30	Cash – Sales	1,260
„ 30	Commission on sales	63			
	Share of profit	260			
	Cash – to Thrade in settlement	133			
		£1,260			£1,260

BOOKS OF THRADE: JOINT VENTURE WITH KNEADLE

1961		£	1961		£
Jan. 13	Cash – to Kneadle	3,141	Mar. 31	Cash – sales	8,260
	Cash – handling charges	31		Balance carried down – unsold stock	402
Mar. 31	Cash – to Studd	2,030			
	Commission on sales	413			
	Share of profit to date	721			
	Cash – to Kneadle in settlement	2,326			
		£8,662			£8,662
Apr. 1	Balance brought down	402	Apr. 30	Cash – Sales	420
„ 30	Commission on sales	21		Cash – from Kneadle in settlement	133
	Share of profit	130			
		£553			£553

MEMORANDUM JOINT VENTURE ACCOUNT

1961		£	£	1961		£	£
Jan. 1	Goods purchased		8,200	Mar. 31	Sales to date:		
„ 12	Carriage on goods		93		Kneadle	1,540	
„ 13	Handling charges		31		Thrade	8,260	
Mar. 31	Loan interest		30				9,800
	Commission on sales:				Balance carried down – stock unsold		1,206
	Kneadle	77					
	Thrade	413					
			490				
	Profit:						
	Kneadle	1,441					
	Thrade	721					
			2,162				
			£11,006				£11,006
Apr. 1	Balance brought down – stock unsold		1,206	Apr. 30	Sales:		
„ 30	Commission on Sales:				Kneadle	1,260	
	Kneadle	63			Thrade	420	
	Thrade	21					1,680
			84				
	Profit:						
	Kneadle	260					
	Thrade	130					
			390				
			£1,680				£1,680

NOTE: Balance of unsold stock on March 31st:

	£
With Kneadle, cost	900
With Thrade, cost	300
	1,200
Expenses on stock with Thrade $\frac{300}{6,200} \times £124$	6
	£1,206*

*This is shared:	£
Kneadle two-thirds	804
Thrade one-third	402
	£1,206

Electronics in the Office

National Commercial Bank of Scotland's Progress in Electronic Accounting

FOLLOWING the establishment of a data processing centre by the National Commercial Bank of Scotland in Edinburgh last year, referred to in *The Accountant* of November 11th, 1961, the accounts of thirteen branches of the bank are now being dealt with at the centre. I.B.M. punched-card equipment, including an electronic calculator, has been used to take over the book-keeping for more than 19,000 accounts, together with the attendant interest calculations; branch mergers which will take place shortly will increase that number by a further 3,000 accounts.

The work involves handling between 6,000–7,000 transactions at the centre on a normal day, increasing to 12,000 on busy days. Other tasks already being carried out on these machines include the daily production of a printed report for each branch showing the state of every current account when the branch opens for business, calculations of monthly salaries for over 1,000 staff, and certain administrative work.

The present system, which, it is claimed, is one of the most advanced of its kind, will be extended with the arrival of an I.B.M. 1401 computer later this year. Information now recorded in punched-cards will then be transferred to magnetic tape. A further seventeen branches in Edinburgh and Glasgow have been prepared for transfer of their accounting to the computer, and additional work will continue to be transferred until the computer's capacity is taken up. An I.B.M. 1412 reader/sorter, capable of sorting cheques at a speed of up to 900 documents a minute, will also be linked to the computer system. Already all cheques being supplied to the bank's 400 branches carry the bank and branch codes printed in magnetic ink on paper specially made for high-speed electronic sorting. The reader/sorter will not only sort cheques into branch order for all branches, but in the case of centralized branches, it will read the amount of the cheque (inscribed in magnetic ink at the clearing department) and other information direct on to magnetic tape thus cutting out much of the present manual work.

The work of centralizing these branch operations has gone smoothly. In the case of the first two branches the new method was run in parallel with the old for a period of six weeks – a period that included the end of a month and the bank's annual balance – since new conditions which arise at these times had to be tested. Thereafter, parallel running was for as little as one week, and between November and March a further twelve branches were being taken over, some at intervals of only a week, and over the period two branches were merged. Experience has also been gained in the transmission of information over a distance. Accounting for 350 staff accounts in a London office involves information being sent by teleprinter to Edinburgh where special equipment converts the paper tape into punched cards. When the Glasgow branches are taken over information will be sent likewise in paper tape form for processing by the computer. In the case of Edinburgh branches, paper tape records are produced as a by-product of add-listing operations, and collected by courier daily.

Computer for Atomic Research Establishment

A NATIONAL-ELLIOTT 803 electronic data processing system has been ordered by the United Kingdom Atomic Energy Authority for use at Dounreay Experimental Reactor Establishment. It will produce the Establishment's accounting records and simultaneously provide control over the costs of different research projects.

The computer, to be installed this year, will be equipped with four magnetic file units. Punched-paper tape will be used for input and output, and working documents and reports will be printed on automatic typewriters.

The 803 will provide a fully automatic system of stores accounting and control covering about 17,500 items used by the Establishment's scientists and engineers. Other accounting tasks will include the payment of suppliers and contractors, and the maintenance of the cost and accounting ledger. It is also planned that the computer will eventually produce the pay records for the 1,500 weekly paid staff and 1,000 monthly-paid staff.

Considerable benefits will be achieved through the development of an integrated costing system. The records stored on reels of magnetic film will be regularly up-dated during the accounting and other routines. Every week, the computer will go through these films and automatically extract the data required for costing purposes. Individual items of expenditure will then be allocated to the appropriate cost centres, for eventual reallocation to the actual research projects in hand.

Census by Computer

THE Board of Trade is to install at the Census Office at Eastcote, Middlesex, in September next year a LEO III fully-transistorized electronic computer.

The computer's first main task will be work related to the Census of Production. It will involve the maintenance of a register of all manufacturing enterprises in the United Kingdom, addressing census forms, receiving completed returns and issuing reminders to companies late in submitting returns. Other work will relate to the Census of Retail Distribution, the working out of retail sale and wholesale price indices, and actuarial calculations.

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Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Annual Church Service

A special service for members of the Institute will be held at St Margaret's Church, Lothbury, London EC2, at 12.45 p.m. on Wednesday, July 4th. The members of the Council of the Institute will be present and the President hopes that as many members of the Institute as possible will also attend.

Examination Results

Candidates for the May Final and Intermediate examinations of the Institute may expect to receive by post on Thursday, July 26th, a notice stating whether they have passed or failed. At the same time, under a new procedure (as already advised to students) lists giving the successful candidates' numbers will be circulated to various centres and candidates who have not received their result on July 26th, may, therefore, make inquiries, during normal office hours, from any of these addresses. A list of successful candidates will be displayed at the offices of the Institute on Wednesday, August 15th, and the full results will be published in *The Accountant* of August 18th.

Members' Library

The first cumulative supplement to the August 1961 *Short List* of books in the library of the Institute has now been issued. Copies, which contain additions to April 1962 will be sent to members by the Librarian, free and post free on receipt of an addressed label.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee of The Chartered Accountants' Benevolent Association the chair was taken by Sir William Carrington, F.C.A., the President of the Association, and seven members were present.

Applications for Assistance

Six new applications for assistance were considered. In one case a loan was given to assist while temporarily unemployed; in two cases a donation was given; in two cases a grant was made and one application was refused.

One of the applications was from a member, married with a young son, who had recently become unemployed owing to a take-over and who had been admitted to hospital owing to illness. A donation of £125 was made with a promise of a further donation of £125 three months later if further help was then required.

Twenty-nine applications for further assistance were considered. In fourteen cases the grant was renewed; in six cases the grant was increased; in six cases the grant was reduced; in two cases the grants were not renewed but donations were given and one case was deferred.

Special Fund

One application for further assistance was considered and a grant made.

Matters Reported

Changes in the circumstances of seven beneficiaries were reported and grants were adjusted or donations made in appropriate cases. The death of one beneficiary was reported.

MANAGEMENT ACCOUNTANCY RESEARCH UNIT

A reception was held at Slough College of Further Education, on June 15th, to mark the fourth anniversary of the College's Management Accountancy Research Unit and the completion of a recent case study with A.E.C. Ltd, who were the hosts.

The Unit is the first of its kind in the country and was formed to study at first hand actual industrial problems. The members of the group comprise senior executives from organizations in the district.

The function was attended by representatives of the accountancy bodies and many firms in the district were represented among the members and guests. The principal guest was Dr James M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M., Chairman of the Education Committee and member of the Council of The Institute of Cost and Works Accountants, who gave a short address. Dr Risk pointed out that the work of the Research Unit was of special importance at the present time. He stated that to achieve the objective of greater efficiency, management must become more skilled in the arts and techniques of planning and control. In this process, management accounting can and will play a vitally important part. However, this could be accomplished only if managers understood the techniques of management accountancy and how to use the information provided, and if there were sufficient well trained management accountants available. Dr Risk went on to say that this was the reason he regarded the work of the Research Unit as being of national importance and that he personally would like to see further developments in the field of accounting education along the lines being developed at Slough College. Concluding his address Dr Risk said 'there is no doubt in my mind that there will, in the future, be an

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expansion in the facilities for and status of accountancy education at advanced levels'.

The Director of Studies, who founded the Unit in 1958, is Mr E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A., Principal Lecturer at the College. The value of the Unit's work is that it is able to act as a forum for the exchange of ideas on top level management problems.

Mr Evans is now forming a School of Accountancy Studies as part of the work of the College to cater for accountancy examination and post-graduate courses. This is a further stage in the development of accounting and related courses at Slough College over the past few years.

RETURN OF RATES

Rates this year in England and Wales have increased by an average of *1s 11d* in London boroughs and *1s 8d* in county boroughs. In non-county boroughs the rise has been *1s 10d*; urban districts *1s 8d* and rural districts *1s 6d*. These figures are set out in the sixteenth annual return of rates[1] for England and Wales published recently by The Institute of Municipal Treasurers and Accountants.

The average rate levied for each class of local authority during the current financial year was *23s 5d* for county boroughs; metropolitan boroughs *20s 3d*; non-county boroughs *24s 1d*; urban districts *23s 7d* and rural districts *21s 2d*. Bournemouth enjoys the lowest rate of all at *15s 8d*. The highest rate levied is *32s 2d* at Holyhead.

THE NATIONAL ASSOCIATION OF PENSION FUNDS

At the fortieth annual general meeting of The Association of Superannuation and Pension Funds held in Birmingham on June 6th, a new constitution which had been under consideration by a special committee since 1960 was unanimously adopted and the Association's name has now been changed to the National Association of Pension Funds.

The report of the Council for the year ended December 31st, 1961, presented at the meeting, records a total membership of 1,624, comprised of 1,244 ordinary members and 380 associate members. There was a fall in membership of twenty over the year due mainly to the merging of pension funds resulting from company reorganization and 'take-overs'.

The Association's Investment Co-operation Service, which is at present under review by a committee set up to investigate its future operation and to make recommendations, continues to function in collaboration with the Investment Protection Committee of the British Insurance Association; assistance has also been given by the Association of Investment Trusts. The report mentions that the Service is available only to members who notify the secretary of their wish to participate and who furnish full details of their investments.

During the year the seven local groups of the Association have been particularly active and arrangements are proceding for the formation of further groups. The annual autumn conference in London was attended by some 600 delegates and was addressed by the Rt Hon. John Boyd Carpenter, Minister of Pensions and National Insurance, followed by a most successful conference dinner at the Piccadilly Hotel. The 1962 autumn conference will be held at Harrogate from November 1st–4th.

[1] *Return of Rates 1962–63*. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1. Price *12s 6d* post free.

REVENUE PAPER

Trinity Sittings, 1962

The following cases are down for hearing during the Trinity Term:

HOUSE OF LORDS

Pilkington and Another *v.* C.I.R.
C.I.R. *v.* Henry Ansbacher & Co.
C.I.R. *v.* Lord Rennell and Another.

COURT OF APPEAL

C.I.R. *v.* The Stafford Coal and Iron Co Ltd.
Brogan *v.* The Stafford Coal and Iron Co Ltd.
Spencer *v.* C.I.R.
Garside *v.* C.I.R.
C.H.W. (Huddersfield) Ltd *v.* C.I.R.
E.Y.L. Trading Co *v.* C.I.R.
Butter *v.* Bennett.

HIGH COURT (Chancery Division)

Thomas *v.* Brooke.
C.I.R. *v.* Scott.
Elson *v.* Prices Tailors Ltd.
Piller *v.* Temperley.
Petrotim Securities Ltd (formerly Gresham Trust Ltd *v.* Ayres.
Humbles *v.* Brooks.

ERRATA

In the article 'Double Tax Relief Claims Without Tears' by Félice V. Slade, A.C.A., which appeared in our issue of June 9th, the price of *Tables of Tax on Net Income*, published by H.M. Stationery Office, was incorrectly given as £1 instead of £1 10s.

In our review of *Amerikanische Standardkostenrechnung* by Dr Karl Weber in last week's issue, the reference to a work on direct standard costing should have been to *Direct Standard Costs* by Mr Wilmer Wright, and not Mr K. S. Most's recent book *Uniform Cost Accounting*.

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ACCOUNTANT

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JUNE 30TH, 1962 VOL. CXLVI. NO. 4567

CONTENTS

Page

The Jenkins Report: Company Balance Sheets 817

Leadership in the Office
by *W. R. Anderson, F.A.C.C.A., A.C.I.S.* 820

The Profession Abroad: II – Belgium
by *Mary E. Murphy, Ph.D. (Lond.), C.P.A.* 823

Weekly Notes
Snubbing the Community? – Austerity in Canada – Improved Sales of Consumer Durables – Liquidation Surplus Taxed as Shareholder's Income – Tax on Benefits in Kind – Profits Tax Distributions – Threepence off Manx Income Tax – Budget Estimates and their Variations 824

This is My Life . . .
by *An Industrious Accountant* 826

Finance and Commerce
The Projectile & Engineering Co Ltd – Guest, Keen & Nettlefolds Ltd – Clover Dairies Ltd – City Notes – Rates and Prices 827

Taxation Cases
Jennings *v.* Barfield and Barfield – C.I.R. *v.* Verdon-Roe – Musker *v.* English Electric Co Ltd 830

Reviews 832

New Office Equipment 834

The Institute of Chartered Accountants of Scotland
Special General Meeting 836

Notes and Notices 838

THE JENKINS REPORT

Company Balance Sheets

IN our preliminary review of the Jenkins Report we devoted a good deal of space to its observations about company accounts, and in particular to the way in which the Report endorses, in many respects, the views put forward on behalf of The Institute of Chartered Accountants in England and Wales. The accounts aspect of company law is so important that we make no apology for returning to it this week.

One begins with the dual obligation imposed by the Companies Act, 1948, on company directors. Section 149 (1) requires every balance sheet to give a true and fair view of the state of affairs of the company as at the end of its financial year, while section 149 (2) requires it to give the detailed information specified in the Eighth Schedule. There are similar requirements for the profit and loss account. The Committee is satisfied with the formula 'true and fair' as an indication of the required standard, and approves of the requirements to include specified matters as the minimum necessary to achieve that standard. The Committee, however, doubts if it is always appreciated that accounts which comply with the requirements of the Eighth Schedule (and of sections 196 and 197) may still fail to give the true and fair view required by the Act. That this is nevertheless required is clear from section 149 (3) which provides that the duty to give detailed information required by the Eighth Schedule is without prejudice to the general duty to give a true and fair view.

We have already said that the Report vindicates the historical cost basis of accounts. It follows that where a fixed asset purchased many years ago is shown at cost less depreciation, the net figure in the balance sheet will often bear no relation to the current value of the asset, estimated on any reasonable basis. The Committee says that this fact has probably given rise to more criticism than any other single feature of the accountancy provisions of the Act. Some witnesses, who think that a balance sheet should state the current value of the company's assets, went so far as to suggest that directors should be required annually to revalue the fixed assets and show the result of the latest revaluation on the balance sheet. This, of course, is not the function of the balance sheet. As the Committee says, valuation is largely a matter of opinion. The Committee think that such a requirement would be most onerous and would require the giving of information which was often worthless and misleading.

The Committee reports fairly general agreement that the proper

value of fixed assets is in most cases their value as an integral part of the undertaking in which they are employed. This is particularly true where they are 'specific' to a particular business. It is usually better to value the fixed assets and the goodwill of a business together, by reference to the earnings. To value the fixed assets separately on the basis of selling them otherwise than as part of a going conern can be a highly theoretical exercise. An example which springs to our mind is that of a bank with branches in various places. Banks are usually built with expensive stone facings to give an air of solidity and respectability. Such buildings are ideal for banking purposes, and while so used their cost is usually commensurate with their value. But for any other purpose bank buildings are usually very unsuitable indeed, and the cost of their demolition with a view, for instance, to building a supermarket, would be higher than the cost of a demolition of a cheaply-built shop, so that the valuation of bank premises, viewed apart from the banking business, would be somewhat pointless.

Annual valuations of plant and machinery would have even less point. Their life is comparatively short, so that any undervaluations are soon worked out. At the same time, the task of valuation would be even more formidable than in the case of buildings. There remain assets consisting of land and buildings which are not 'specific' to the business. For instance, the site of a building may be such as to have a very high development value, which is out of proportion to the cost, and even to the value of the asset as used in the particular business. To show the value in the balance sheet at cost less depreciation can be misleading. Accepting this as a valid criticism of the accounts provisions of the Act, the Committee still had difficulty in meeting it. Not least is the problem of definition of a 'non-specific' asset. It is easy to name obvious examples; a steel works on land unsuitable for other use, on the one hand, which is clearly specific, and a shop in the middle of a town which is ripe for development, on the other. But between these two there are all kinds of intermediate examples. After drawing attention to other difficulties, the Committee comes to the conclusion that the best way of dealing with the problem is not to add to the requirements in the Eighth Schedule but to require the directors, when they consider that the difference between the current market value and the book value is of real significance to the shareholders, to indicate this fact in their annual report. If assets are in fact revalued, the balance sheet should show which assets have been so treated, when it was done, and, on the first occasion on which the new value is shown, by whom the valuation was made and on what basis.

As to the classification of fixed assets in the balance sheet, the Committee recommends that the balance sheet should show freeholds (in Scotland, feus) and leaseholds separately, distinguishing between long and short leases, i.e., between those leases with fifty years or more to run and those with less. There is a recommendation in another part of the Report that where a significant part of a company's income comes from rents, the net amount, after deducting groundrents, rates, and other outgoings, should be shown separately in the profit and loss account. This will, of course, help the investor to form a view about the value of the properties, assuming that let properties and owner-occupied properties are shown separately in the balance sheet.

An odd quirk of the Companies Act is its use of the expression 'trade investments' without defining it. The Committee thinks it covers any investments (other than in subsidiary companies) made to further the company's business, including investments in 'associated companies'. The Act requires the showing of the aggregate amount of trade investments under a separate heading in the balance sheet, and the showing of the income in the profit and loss account. The Committee agrees with critics that this is not enough; that more information about investments should be given. It recommends that the distinction between trade and non-trade investments be dropped but that there should still be a distinction between investments which are fixed assets and those which are current assets.

The aggregate value of investments quoted on a recognized or other reputable stock exchange should be shown. For unquoted investments the balance sheet should either show the directors' estimate of the aggregate value or (in respect of equity share capital) the following information:

(i) the aggregate dividends brought into account in the accounting period;

(ii) the amount of the company's share of the aggregate profit, before and after taxation,

of companies in which the shares are held for financial periods in respect of which those companies issued accounts during the financial year;

(iii) the amount of the company's share of the aggregate undistributed profit (after tax) earned since the acquisition of the shares;

(iv) explanation of how losses incurred by such companies have been dealt with in the 'holding' company's accounts.

We greatly welcome this recommendation which will do a very great deal to lift the veil in cases where companies conceal their affairs from public gaze by the use of shares in other companies which are not technically subsidiaries.

In its written evidence, The Institute of Chartered Accountants in England and Wales pointed out that some companies deduct proceeds of realization of investments from the cost of the investments as a whole, with the result that the amount at which investments are stated in the balance sheet represents the cost of investments actually held, reduced by profits (less losses) on the realization of former investments. There is thus no disclosure of the actual cost of investments held, nor of profits on realization. The Institute suggested that the Act make clear that the cost of investments means the cost of investments actually held, that the profits from realization should be treated as reserves, except to the extent that they have been utilized for some appropriate purpose, and that the movements on such reserves be shown. The Committee thinks that the practice of using profits to write down book values is consistent with paragraph 5 (2) of the Eighth Schedule and should continue to be permitted. This seems to us (by itself) to be a curious way of interpreting the requirements of a 'true and fair view'; the figure on such a basis could be quite meaningless. However, the earlier recommendations of the Committee, reviewed above, as to the valuation etc. of investments, if adopted, should fill the gap.

Balance sheets have already to reveal (usually by a note) material amounts of capital expenditure to be incurred under contracts already entered into, as far as not provided for in the accounts. The Report recommends that where the board of directors has approved capital expenditure but no contract has been entered into, the estimated amount of such expenditure should similarly be shown. Where there are changes in a fixed assets item from one balance sheet to another, it is recommended that the value of additions should be shown separately from the amount in respect of assets sold or scrapped. The Committee does not like the rigid distinction between fixed and current assets; this is not always practical, and could be misleading, e.g., a debt owing for goods sold on extended credit. It recommends that there should be a third category, whose nature should be described.

Notwithstanding the quantity of ink which has flown in the controversy as to the precise distinction between a provision and a reserve, as those words are used in the Companies Act, the Committee thinks that the definition of 'provision' in paragraph 27 of the Eighth Schedule has proved generally satisfactory. The Report makes the point that accounting practice can vary from time to time, and that, therefore, the meaning of 'provision' should not depend on that practice. This is no doubt a reference to the English Institute's submission that the Act should make clear that an amount necessarily set aside in accordance with a regularly employed accounting practice, in order to meet accruing expenditure (such as that on repairs and other maintenance charges) is a 'provision'.

We have already mentioned the problem of companies which own shares in associated companies. The Committee would raise the veil still further by requiring every company to disclose the name of each subsidiary and of each other company in which it is the registered holder of at least 10 per cent of the issued capital. There should also be shown the percentage of each class of share capital held, and the country of incorporation. If this cannot conveniently be shown in the annual accounts, it should be contained in a statement filed with the Companies Registry when the annual accounts are filed. There would be an escape where, in the case of a subsidiary abroad, the directors think that disclosure would be harmful to the company or to the group as a whole. A subsidiary company should, in the Committee's view, disclose in its annual accounts the name and country of incorporation of its ultimate holding company. If it cannot obtain this information, it should say so, and should give the name and country of incorporation of the most senior company known to it in the chain.

Leadership in the Office

by W. R. ANDERSON, F.A.C.C.A., A.C.I.S.

THE increasing use in business of technical processes and the gradual replacement of the lesser skilled employee by the more skilled, has led to an expansion of administrative functions and a consequent growth in clerical staffs. Although this growth has been accompanied by considerable development in office techniques, the very nature of many clerical and administrative duties is such that quality and volume of output are still dependent to a large extent upon the attitude of the staff concerned and their reaction to authority. Because of these personal feelings and the relative ease at the present time in changing employers, good leadership on the part of supervisors and managers now assumes greater prominence in the successful management, and retention, of staff. The application of the qualities inherent in good leadership is discussed below.

Technical Competence

A leader must be technically competent. He may be a specialist operating within a relatively restricted sphere or he may be an executive responsible for the co-ordination of a variety of functions. In this technical age it is quite impracticable to expect holders of senior appointments to be able to carry out the duties of each of their subordinates. In fact, the ability to do so becomes less pronounced as the promotion ladder is climbed. In its place there must be an ability to appraise and measure, and to integrate the efforts of others into an overall plan. The acceptance of subordinates' work without this critical examination is a 'rubber stamping' action unfair to all concerned and particularly so to the subordinates involved who have a right to expect competent technical judgment and guidance from their senior.

Employers, as a matter of course, look for integrity in employees although the degree of integrity required will vary according to the nature of the job and the position to be filled. The minimum is honesty in the sense that the individual is unlikely to defraud his employer. A good leader must be honest not only in this sense but also in his relationships with those with whom he comes into contact. Indiscretions, although a common failing, must forever be guarded against; they can do untold harm to the victims and seriously undermine the integrity of the perpetrator.

Fairness in all staff and business matters is yet another aspect of integrity. Decisions may be unpopular but this can be tempered with the knowledge that they will be implemented in a just manner. Nothing creates greater unrest than the interpretation of an unpopular decision in a manner more favourable to some than to others. The degree of a leader's integrity takes into account the extent of his loyalty to his superiors and to his subordinates. Loyalty is not the practice of the 'yes man' technique or abstention from criticism. It is the recognition of a duty to do no harm to employer, colleagues and staff either directly or by subversive means. Criticism of a policy or decision is all very well, provided that it is made in the correct manner and within the correct context; it must never be permitted to provide grounds for dissatisfaction which when disseminated becomes injurious to morale. The behaviour of leaders when faced with exasperating conditions is a true test of their loyalty and integrity.

Self-control

An individual in authority either as a manager or specialist must be able to earn and retain the respect of staff for whom he is responsible. Popularity, although desirable in some instances, is insufficient and no substitute for this. Respect for a leader arises from the esteem in which he is held by virtue of the standards he attains and the code of behaviour he practises. Self control at all times is a must; many competent and apparently sound individuals have undoubtedly lost the respect and goodwill of others by failing to remember this. Respect has to be earned – it cannot be bought – and once acquired must be treated with care to ensure that it does not diminish. Of all the qualities which make up the ingredients of leadership, this is undoubtedly the most difficult to acquire because it is dependent upon the personal assessment of the other ingredients by those with whom a leader comes into contact.

No leadership will be effective unless there is trust between supervisor and subordinate; a subordinate must be made aware of the trust placed in him by being shown that he is accepted for the position occupied and that a firm belief is held in his ability to carry out all the duties consistent with that position. It is most damaging to the morale of a subordinate for him to be given the impression that he lacks the trust of his superior. There are bound to be instances where such a trust cannot, or does not, exist, but such cases call for a special line of action.

The extent of trust can usually be determined by the nature of the briefing given for a particular task. On the one hand there is the official who, having first determined his course of action, states his requirement clearly and makes available to his subordinate any papers or references relevant to the issue. On the other hand there is the official who restricts his briefing to the barest facts and expects his subordinate to work from notes taken at this briefing. The papers and references are retained under an aura of special importance which is rarely warranted. Further, under the mistaken impression that he is exercising control, such official invariably withholds some piece of information which prevents his subordinate from providing the required result first time. Needless to say the poor subordinate starts off under the impression that he is not trusted, coupled with the frustration of working with the minimum of information, and knowing all the time that a wider appreciation of the problem would enable him to produce a better job and give him greater pride in his work.

Ability to Delegate

The delegation of responsibility and authority is closely allied to trust. Such delegation must be accepted by all concerned, not only on account of the trust implicit on the delegation but also because delegation is invariably part and parcel of the internal procedures and the organization. To attempt to restrict delegated authority and responsibility without first considering the effect on procedures and organization has the result of undermining the position of the subordinate.

Earlier in this article reference was made to the fact that managers and supervisors cannot be expected to carry out the duties of each of their subordinates. This fact becomes evident when for one reason or another a matter is dealt with in isolation by one level of management instead of allowing it to be dealt with in the normal manner by experienced staff at a lower level. Invariably such a matter is handled with less efficiency because the higher official involved has to attend to some detail or specialist function with which he is unaccustomed. Not only is there a waste of time on the part of the executive, but more often than not the staff who would normally be concerned becomes involved on a piecemeal basis. One aspect of delegation must not be overlooked: delegated responsibility should always be accompanied by adequate delegated authority to enable the responsibility to be properly undertaken.

Understanding and Confidence

Because leadership is a personal quality and cannot be based on impersonal relationships, consideration must be made for human weaknesses and strengths, and tolerance shown whenever human emotions are involved. This is important where similar work is undertaken by men and women in a wide age range. The employment of immigrants in particular calls for a wider understanding of human feelings, especially where colour, creed and natural customs are concerned.

Youngsters in all organizations warrant special consideration, and require guidance based upon a sympathetic appreciation of their problems. Leadership of a composite staff calls for a depth of understanding that must be sincere if satisfactory solutions are to be found to the problems which arise. At no time must it be forgotten that a staff consists of a number of individuals each with his own ambitions, hopes, feelings and power of thought.

Confidence in his ability to carry out his assignment is essential in any leader. Outward lack of confidence soon creates doubts, no matter how unfounded they may be; once this occurs it is extremely difficult to instil that optimism of outlook which is so important to good morale. A leader should never flap – an urgent matter should be handled with speed in a calm controlled manner.

Over-confidence and false optimism are both unfair to those who are not so well informed because it is they who will experience the greatest shock when expectations are not realized. In the face of adversity quiet confidence after a reasoned appraisal of the position is the greatest inspiration to staff. This is preferable by far to a wild claim that everything will be all right in the end. Bearing, composure and appearance are invariably an indication of the confidence a leader has in himself. A well groomed person, tidily dressed and at ease, yet having an air of authority, is a greater inspiration to subordinates than the

untidy fellow who always appears to be on edge.

The rank system coupled with enforced discipline facilitates the exercise of command in the military field. In the civilian sphere the enforcement of authority must be made without these aids and thus civilian leaders, if they are to be effective, must have the ability to exercise control under these circumstances. An individual who knows how to accept instructions is usually more qualified to give them because he understands the need to give an instruction correctly. An instruction must be given to the right individual, namely someone competent to execute it within the terms of his appointment and available to carry it out. An instruction must be explicit in its requirement and detail the limits within which the job is to be performed. In this respect it is always advisable to explain the relationship of the assignment to other operations. A subordinate should be left in no doubt as to what is required of him. The supervisor giving the instruction must decide whether he is prepared to consider any comments or proposals from the subordinate, if not he should explain why. No instructions should be given in a manner which leaves the recipient to infer what is wanted; such a practice is grossly unfair as it passes to a lower level decisions which should be made at the more senior level.

In civilian organizations, insufficient attention tends to be given to the briefing of subordinates and in consequence the assignments concerned take longer than they would otherwise take if the briefing was carefully given in the first place. In this respect, leaving aside the obvious differences, an individual can be compared with a computer. No instructions are given to a computer unless they are ones which it can carry out, whilst considerable thought and care always precedes the use of computers for even the most simple of clerical tasks. With this in mind is it not reasonable to expect a little more thought and care to be exercised when giving instructions to their human counterparts?

On Making Decisions

As all instructions arise from decisions, it follows that the ability to make decisions is yet another quality which a leader must possess. Although 'sitting on the fence' is a commendable position to take in certain circumstances, to take up residence there is to hinder progress and impair staff relations. Frustration suffered by a subordinate because of the absence of ability in his supervisor to make decisions is apt to force him, in sheer desperation, to usurp his authority. Snap decisions, right or wrong, can be equally damaging particularly when they are wrong. The quality of decision is surely the ability to resolve a problem after due consideration of the relevant facts.

Because leadership encourages people to do their best together it follows that it must improve productivity and efficiency. Indeed, this point formed the theme of the opening address given by Mr J. Marsh, Director of the British Institute of Management, to the Central London Productivity Association conference on March 22nd last, in which he stressed the necessity of good leadership by top management, particularly leadership by example, to set the tempo of a business and to eliminate waste. In addition, Mr Marsh also commented on the importance of evidence of team work to create a sense of purpose and to overcome the complexities which arise and which will continue to arise as the result of the application of automatic and technical processes to clerical and administrative functions; to this end he advocated more discussion between managers and staff on problems facing them.

Conclusion

In view of the relatively high cost of labour and the difficulty of assessing the output of clerical staff as a whole, anything which improves productivity with no increase in staff numbers must inevitably reduce costs. In areas of full employment, competition between employers increases the movement of staff between them. Working conditions are an important factor in this movement and these conditions include the quality of leadership provided. If the leadership is good, all other things being equal, the staff will be less restless and the additional cost of replacing staff, or getting by without them, is avoided.

Finally, a word on the training of leaders. It is generally accepted that leaders are born and not made, and undoubtedly this is true as far as physique and mentality are concerned. What is required after birth is training so that latent qualities can be developed. The extent to which this takes place before embarking on a business career is dependent upon the type of education received and the nature of other interests and activities. The larger organizations undertake extensive training schemes and some do pay special attention to leadership, usually for specialized appointments. Although the ideal position would be for all supervisors and managers to receive training in leadership appropriate to their levels of responsibility, it must be recognized that the finest training they can receive is to work under a good leader themselves.

The Profession Abroad

II – BELGIUM

by MARY E. MURPHY, Ph.D.(Lond.), C.P.A.

FROM 1831, book-keeping experts in Belgium, with the title of *experts-comptables*, were entrusted by the legal Courts with the investigation of merchants' books in case of litigation. In 1903 the first accounting association was formed – *Chambre Syndicate des Experts-Comptables*. Although it was an independent body, the *Chambre* functioned under the direction of the Brussels Chamber of Commerce. As with some other Continental societies, its members were divided into two classes: *experts-comptables* who had at least ten years' professional experience; and *comptables* of the rank and file. Elections were held in general meeting of the *Chambre*, after a committee had inquired into the professional competency and character of the candidates. After 1903 numerous local associations of accountants were formed.

When the *Collège National* was founded, in May 1950, it proposed to supervise the vocational training of Belgian accountants by requiring all necessary guarantees in connection with ability and professional honesty; to support and extend the professional practice of its members and to promote their professional interests; to encourage and extend all that was suitable to promote the accounting knowledge and its applications; and to obtain its official incorporation. The structure of this national board was such that, at least temporarily, the existing organization remained intact; it was thus, in a certain sense, of a federated nature.

Major Integration

A major integration of the Belgian accounting profession occurred in December 1957, when thirteen mainly regional bodies affiliated to the *Collège National* combined to form the *Association Nationale des Comptables de Belgique* (A.N.C.B.). As a result of this merger, the majority of Belgian accountants, whether in practice or in industry, were brought together in the new association.

A Belgian accountant may only become a member of the *Collège National* when he applies at the same time as one of the affiliated members. As a consequence of these regulations, uniformity has been achieved in the requirements of entry into the profession. The *Collège National* has, in addition to the 'affiliated members', two other types of members – 'effective' and 'adopted' members (*membres effectifs et membres agréés*). The difference in the membership is that only those individuals who practise their profession may become 'effective members'. For the remainder, the requirements are the same, that is, minimum age of 30; a certain period of probation; and the passing of several examinations.

The board's articles of association, include the following provisions:

Restrictions – members may not exercise such occupations which are of a nature to encroach upon the dignity or the incorruptibility of the profession.

Tasks to be entrusted to members – administrative organization; the framing, reorganization or control of all accounts; and justifications of a fiscal nature.

Responsibility – members are responsible for all errors committed in the fulfilment of their work.

Form of professional practice – professional practice may not be carried on in the form of a company.

Professional confidence – except for cases in which they must testify, members are not permitted to reveal facts they learn through their professional occupation.

Professional discipline – there are four chambers of discipline, the president of which is a magistrate. In addition, there is a board of appeal. Penalties which may be adjudged are a warning, blame, and a maximum suspension of one year. Expulsion of a member can only be decided by the general assembly of the chamber of discipline.

Accounting Functions

One of the first moves of the *Collège National* was the establishment of the *Commission Nationale de Défense de la Profession d'Expert-Comptable* (National Commission for the Defence of the Accounting Profession). In one of its publications the Commission summarized its activities as follows:

(1) Periodic or incidental control activities, either as a confidant of shareholders or upon the request of management or other interested parties, such as associates, heirs, moneylenders, bankers, companies, etc.
(2) Advice in the capacity of expert upon request of the Courts, the authorities or other interested parties.
(3) Periodic or incidental judgment regarding the state of affairs of companies.
(4) Examination of the organization of enterprises.
(5) Establishment of administrative organizations.
(6) Examination of annual accounts.
(7) Examination and preparation of cost-price calculations.
(8) Advice relative to the administration of enterprises.
(9) Advice at the time of formation of companies.
(10) Liquidation of companies.
(11) Assistance to trustees in bankruptcies, notaries in heritages and judicial separation, and lawyers in dispute.
(12) Assistance to lawyers.
(13) Arbitrage with or without legal mandate.
(14) Assistance in the management of enterprises.
(15) Assistance to management relative to commercial law, taxes, social legislations and other regulations emanating from the authorities.
(16) Advice relative to the transfer and combination of companies.
(17) Preparation of lectures.
(18) Preparation of articles and books of a professional nature.

Weekly Notes

SNUBBING THE COMMUNITY?

SOME recent pay awards, not least those granted by arbitrators, were severely criticized by Mr Selwyn Lloyd in his recent address to the Association of British Chambers of Commerce. In his opinion, awards which exceeded the permitted level must be regarded as 'snubs to the community'. This is not the first occasion since the war when wage arbitration has been criticized, and in the latest and most opportune Hobart Paper[1], a well-known arbitrator, Mr Henry Smith, Vice-Principal of Ruskin College, puts the arbitrators' case.

The basic problem confronting the arbitration tribunal is to determine the 'rate for the job' and to this end it is necessary to compare jobs. Unfortunately 'job comparability' may have little to do with the economics of the industries involved. Likewise, the doctrine of 'fair wages', not least when applied to unremunerative nationalized industries, often becomes practicable only on the basis of a political decision that the community shall subsidize the industry.

Mr Smith's most significant contribution to this vital debate is his opinion that the Government cannot seek to avail itself of arbitration in determining the incomes of public service employees, yet at the same time tell the arbitrators what they must award. Such a policy would merely signal the end of arbitration since no labour representative could accept its decisions under such conditions. The author does well to stress that the Government can choose any method it likes of regulating incomes, provided the public accepts it as fair. For good reasons the public does not believe that the policies of the 'pay pause' or the 'guiding light' are fair. It is for the Government to produce the acceptable alternative.

AUSTERITY IN CANADA

THE austerity programme announced by the Canadian prime minister will affect British exporters in two ways. The cuts in Government spending of about $250 million are likely to reduce total demand while the graduated surcharges on imports are designed to reduce imports of luxuries and non-essentials and also of products for which there is at present surplus manufacturing capacity in Canada or for which substitutes could be produced in Canada.

The maximum surcharge of 15 per cent is applicable mainly to luxuries, including potable spirits, jewellery, silverware, fans, leather goods and similar products; the 10 per cent rate will apply to some engineering products, radio and television equipment and cars, clothing, furniture and pottery. A 5 per cent surcharge will apply to metal manufactures, most classes of machinery and electrical apparatus, plastics and textiles. The total revenue derived from these surcharges is expected to amount to about $200 million and together with the direct cuts in Government spending will reduce the budgetary deficit by about $450 million in a full year.

The Canadian Government is counting on these measures, together with a doubling of the official reserves as a result of international aid of some $1,050 million, to protect the value of the dollar without the need for exchange control. If the normal inflow of capital into Canada can be revived the Government hopes to introduce longer-term constructive measures designed to improve the country's balance of payments.

IMPROVED SALES OF CONSUMER DURABLES

ALTHOUGH the index of industrial production as a whole obstinately refuses to rise, there were a number of signs last week that reductions in purchase tax and relaxation of hire-purchase restrictions are beginning to affect demand for motor vehicles and some consumer durable goods such as refrigerators. Spring and early summer, however, normally see a revival in demand for these products, which was delayed this year and manufacturers are still uncertain as to whether the modest improvement which is now taking place represents a true upswing in demand or merely a concentration of demand into a shorter peak selling season.

In the case of cars, the revival in home demand has been accompanied by a substantial improvement in exports compared with last year, though there is still a long way to go to regain the level of two years ago. However, if production of cars in May had not been hit by strikes, output would probably have established a new production record. In fact, output was running at the rate of 27,667 vehicles per week, a rise of over 4,000 vehicles compared with April 1962, and the highest figure for nearly two years. Exports in May at 45,935 showed a fall from the 51,266 vehicles exported in April but were still over 50 per cent higher than in May 1961.

In the first four months of the year sales of refrigerators were particularly affected by the prolonged cold weather and for the first four months of the year were 13 per cent below the corresponding figure for 1961. However, manufacturers have reported a considerable improvement, though this may, of course, merely represent deferred buying from the

[1] *The Wage Fixers*, a study of arbitration in a free society. Hobart Paper 18. Institute of Economic Affairs. 5s.

earlier months. Sales of radio sets have been consistently above the good 1961 figures but those of television sets have continued to fall and will probably continue to do so until the Government's reactions to the recommendations of the Pilkington Committee can be assessed.

LIQUIDATION SURPLUS TAXED AS SHAREHOLDER'S INCOME

BY a majority of two to one the Court of Appeal, on June 20th, allowed the Crown's appeal against the decision of Plowman, J., in *Brogan v. Stafford Coal and Iron Co Ltd* (40 A.T.C. 279). The company was a member of a mutual insurance company, North Staffordshire Collieries Mutual Indemnity Co Ltd, which accepted its members' liability to compensate injured workmen. Contributions by the company to the insurance company had been allowed as deductions, but, of course, the insurance company was not taxed on any surplus. A member company could transfer its membership to a successor in return for a money payment. The nationalization of coal-mines made the insurance company redundant and it was wound up, paying to the Stafford Coal and Iron Co Ltd its share of a surplus on liquidation amounting to £58,000, which the Revenue sought to tax as a trading receipt.

Mr Justice Plowman had held that the £58,000 was not taxable since it was capital, on the principle established by *C.I.R. v. Burrell.* His decision was supported by the dissenting judgment of Lord Justice Pearson who stressed that membership of the insurance company was something of a permanent character which was terminated only by the nationalization legislation. However, Lord Denning (according to *The Guardian* of June 21st) distinguished the case from *Burrell.* The surplus had arisen because there had been an overpayment of premiums which had been allowed as deductions, so the case was analogous to the recovery of a bad debt. To reject the Crown's appeal would open the way to easy avoidance. Lord Justice Donovan agreed with Lord Denning. The decision is in line with the well-known Revenue attitude that a lump sum is capital if it is paid, but income if it is received.

TAX ON BENEFITS IN KIND

SECTION 161 (1) of the Income Tax Act, 1952, imposes Schedule E tax on benefits in kind, provided by employers for directors and certain highly-paid employees. Section 161 (3) provides an exemption for expenses 'in or in connection with the provision of living accommodation' for an employee, provided that certain conditions laid down in the subsection are satisfied. In *Butter v. Bennett* (*The Times,* June 27th) the question arose whether the expenses of providing coal, electricity, and the part-time services of a gardener, were 'in or in connection with' the provision of the living accommodation at the house where these benefits were provided. The Special Commissioners decided that they were but their decision was reversed by Mr Justice Cross. His decision in favour of the Crown was on Tuesday upheld by the Court of Appeal, who refused to give the taxpayer leave to appeal to the House of Lords. However, the Inland Revenue could well find this restrictive meaning which they have induced the Courts to attach to 'in connection with' recoiling on their own head.

PROFITS TAX DISTRIBUTIONS

THE Court of Appeal on Monday dismissed the taxpayer's profits tax appeal in *E.Y.L. Trading Co Ltd v. C.I.R.* The company had sold its business on February 19th, 1955, and decided in March 1955 to carry on the business of an investment company, at the same time depositing £297,341 in a private bank, with a view to its investment. On April 1st, 1955, the company declared a tax-free dividend of £288,327 on its ordinary shares, out of the profits of its former business. It claimed that on that day it was chargeable to profits tax as an investment company, and that the dividend could not be related back to the last chargeable accounting period of its former business, April 1st, 1954, to February 19th, 1955. The Court held (according to *The Financial Times* of June 26th) that the company had not commenced its investment business by April 1st, 1955, and upheld an assessment which treated the dividend as a gross relevant distribution of the previous chargeable accounting period. It also held that the Inland Revenue had properly determined that the period April 1st, 1954, to February 19th, 1955, was a chargeable accounting period. The decision of Mr Justice Cross was upheld on both points. The company's application for leave to appeal to the House of Lords was refused.

THREEPENCE OFF MANX INCOME TAX

PRESENTING his Budget to Tynwald, the Manx Parliament, on June 19th, the Governor announced a reduction from 4*s* 6*d* to 4*s* 3*d* in the rate of income tax. Surtax was already abolished last year and there are no death duties. The single person allowance goes up to £250 and the married person allowance to £425 (formerly £225 and £350 respectively). Widows' and ex-servicemen's allowances are to be made free of tax, and national assistance allowances to retirement pensioners go up by 5*s* a week.

The issue of the Manx Government's own bank-notes has been such a success that it is now proposed to have a special Manx coinage.

BUDGET ESTIMATES AND THEIR VARIATIONS

THE Sixth Report of the Estimates Committee for Session 1961–62 has now been published entitled *Variations in Estimates*. (H.M.S.O. 8*s* net.) The scope of the committee's inquiry was to consider the variations between the estimates for the public services of the current year and those of previous years, with special reference to the trend of expenditure during the last two years, with a view to supplying the House of Commons with information when considering the estimates. Various departments submitted memoranda to the committee and much oral evidence was given by officials of the departments. It is interesting to note that the rate of increase in civil expenditure this year, as las tyear, is more than double the rate of increase in defence expenditure. The estimates for 1962–63 show an increase of £425 million, or 8·2 per cent over last year, and an increase of £1,082 million, 23·9 per cent over what was required three years ago. The Report devotes a good deal of space to the melancholy tale of the losses incurred by British Railways.

This is My Life . . .

by An Industrious Accountant

CHAPTER 130

OUR departmental accountant is a plumply placid type, unaspiring in achievement, but by dint of long experience in our trading procedures, meticulous in accuracy and timing. He has always supervised his busy section efficiently, so when he collapsed, green in the face, with peritonitis, we were much perturbed. Fortunately, he pulled through, but it will be some weeks before he returns to work.

It was accordingly necessary to review the replacement problem. All was well, I felt. Dave, the number two in the department, was fully competent to carry on temporarily; in fact, he was just then entering to report progress to date.

Indeed, Dave had all the competence required, and other assets in addition. Everything was going fine, he beamed, not to worry, thumbs up. His only concern was about his best pal, the D.A.: how *was* the poor old chap, anyhow? Any hope of his ever making the grade again? On hearing that the D.A. was well on the mend, according to the doctor, Dave breathed a long deep sigh of relief. He'd been so worried about his pal recently, he explained; these last several months the D.A. had been well below par, only just ticking over, all he could do to keep up with things, in fact.

I commented that the section's work had been beyond reproach, and Dave was very pleased. Actually, they were a great bunch of boys there, it seemed; they'd pulled their weight, every man, they wouldn't let down the D.A. In fact, knowing that he wasn't up to it, they'd been coming to Dave for instructions and rulings and so on. Very fortunately for them, Dave had served terms in all the subsections and knew the problems. He had it all at his finger tips; it was just no trouble at all for him to ease the load on his old pal; he was glad to help.

I expressed appreciation of our luck in having Dave available, and Dave nodded quietly. His mood had suddenly changed a little, I felt. He'd been worried about the D.A.'s drinking, he confided; all that gin and tonic couldn't have done him any good. Not that it was really excessive, of course, far be it from him to wrong his pal; in fact, the liquor intake was much less than it used to be. There had been a time – boy, oh boy – when the D.A. was really hitting the bottle, but that was all over, thank heavens. It was just that sometimes in the afternoons the D.A. had been rather muzzy, speech thick, eyes glassy. Not really much, and anyhow Dave and the boys had always covered up for him. In fact, he grinned boyishly, I probably had hardly noticed.

I admitted that in fact I hadn't, and Dave was tickled. His eyes shone with some intensity, doubtless pleasure at saving his pal's reputation. His concern had been for the chaps in the department, you see, he'd always tried to ensure they wouldn't notice anything either. It was bad for chaps to be ashamed of their boss. But they were a loyal bunch, they probably wouldn't admit anything even if questioned, they'd always stick by the D.A.

Dave became alert and dynamic again. He had some new projects under review, it appeared, streamlining of operations and pruning of costs. The D.A. had been rather conservative in the past, you know, not keen on innovations, had rather held Dave back. Now that Dave had some weeks to himself, he aimed to set his sights higher, really go to town. Just wait and we'd see some improvements, there'd be a new look in the section.

I congratulated Dave and he took things modestly. After all, it was nothing; in the long run it would help his pal. Though, if he might just make a suggestion, he hoped the D.A. wouldn't try to get back into harness too soon. Perhaps we could ease him into some less demanding position first. In absolute confidence, he'd had some domestic trouble recently, a police inspector had been calling . . . it was very hush-hush, naturally, but the D.A. might be below par for a while.

I didn't tell Dave that I knew the said policeman was courting the D.A.'s daughter. I just mused quietly on the virtue of loyalty.

Finance and Commerce

Missing £2

IF the ordinary capital of The Projectile & Engineering Co Ltd is £600,000 and the company pays an interim dividend of 4 per cent on account of the year to December 31st, 1961, followed by a final dividend of 6 per cent, what amount should be entered for the interim payment, less tax, and what sum provided for the proposed final payment?

The answer, of course, should be in the company's accounts, and so it is; £14,698 for the interim and £22,050 for the final – or is it? Someone at the annual meeting worked it out and asked what had happened to the £2. And it proved to be one of those questions, in its way utterly simple and seemingly involving no really vital point, for which no one had the answer. Rather was there an undercurrent of merriment that an odd £2 should have posed such a conundrum.

Profits Down

The Projectile accounts, which are the subject of this week's reprint, show 1961 to have been an unfortunate year. Group net trading profit before depreciation and tax was down from £289,591 to £90,143. The figures can be seen in a four-year context in the table extracted from the report and included in the reprint.

One thing – probably *the* thing – which has fundamentally changed the business is the motor manufacturers' adoption of the chassis-less car. Projectile used to produce chassis for the car industry. Now its chassis work is practically confined to heavy lorries, and a move has been made into other and smaller components and products. But change can be costly, especially in competitive fields. As was said at the meeting: 'Customers almost tell you the price at which business is to be placed.' In some cases, work was actually undertaken at a loss in the full expectation that in due time the connection would prove valuable. That's often the case in business.

What finally tilted the scale downwards in 1961 was an increase in costs: a matter of 5 per cent, but vital if your customer is a motor manufacturer with enough troubles of his own without carrying the rising costs of his component makers.

The company is now on the point of issuing a £300,000 first mortgage debenture for placing with institutional investors. In this connection, a revaluation of freeholds and leaseholds has produced a figure of £1,008,000. The factory is in the Battersea, London, area.

Profit 'Breakdown'

'THE board considers that some breakdown of total profit will be helpful to an understanding of the position', says Mr K. S. Peacock to shareholders in Guest, Keen & Nettlefolds Ltd in commenting on a drop in total group profits from £30·6 million to £21·4 million last year.

The breakdown shows trading surplus after depreciation, but excluding investment income, under three heads: United Kingdom steel companies where profits fell from £11·8 million to £6·4 million; United Kingdom engineering and distributing companies where profits were down from £11·4 million to £10·4 million; and overseas companies – down from £7·4 million to £4·6 million. The 1960 figures were all records.

Figures under the same heads are also provided for 1957, 1958 and 1959 so that shareholders can see at a glance the build-up to 1960 peaks and the 1961 decline which turned mainly on the United Kingdom steel companies through over capacity and restricted margins, and in the overseas earnings where the John Lysaght (Australia) company was the culprit.

Engineering and overseas earnings may improve this year but the steel outlook remains bleak, and Mr Peacock goes so far as to say that 'whether the expansion which has been made in recent years will be justified in the near future is problematical.'

Dairy Goodwill

THERE is an intriguing paragraph in the statement by Mr E. B. King, chairman of Clover Dairies Ltd, with the accounts to March 31st, 1962. Mr King draws attention to the goodwill item in the balance sheet, now £723,000 as compared with £545,567 following an acquisition during the year.

Mr King explains that goodwill in the milk industry is generally the most marketable asset of a dairyman and is expressed in terms of gallons of milk sold daily. 'In the opinion of your directors', he says, 'the value of the company's daily turnover is considerably in excess of the sum shown in the accounts'.

What was the value of the daily turnover? 'Considerably in excess' of £723,000? What is 'considerably in excess'?

Turnover publication is as yet by no means general; more the exception than otherwise. In America, it is the kind of information that a company would probably be proud to emphasize. It is extraordinary, this 'done' and 'not done' in company reporting – as in other spheres of life. But the accounting climate here has changed very much in the last thirty years, and the urge is still towards 'more information'. A point which the Jenkins report has fully appreciated. In a year's time Mr King may show exactly what 'considerably in excess' really means. Considerably, substantially, satisfactorily and other adjectives are poor substitutes for actual figures.

THE PROJECTILE AND ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, 30th DECEMBER, 1961

	1961 £	1960 £
I SHARE CAPITAL		
Authorised, Issued and Fully Paid:		
6 per cent. Cumulative Preference Shares of £1 each ..	150,000	150,000
Ordinary Shares of 10/- each	600,000	600,000
	750,000	750,000
II REVENUE RESERVES AND SURPLUS		
General Reserve	450,000	450,000
Profit and Loss Account	85,787	77,373
	535,787	527,373
TOTAL SHARE CAPITAL AND RESERVES	1,285,787	1,277,373
III FUTURE TAXATION		
Income Tax, 1962/63	27,430	98,600
Equalisation Reserve, re capital allowances on plant, machinery etc.	25,600	22,000
	53,030	120,600
IV MINORITY INTEREST IN AUSTRALIAN SUBSIDIARY	7,640	8,056
V LOANS		
4½ per cent. Mortgage Debenture Stock, 1962. Redeemable 31st December, 1962	61,200	61,200
5 per cent. Unsecured Loan 1957/62. Repayable 31st July, 1962	150,000	180,000
	211,200	241,200
Note: Contracts for capital expenditure outstanding at 30th December, 1961, amounted to approximately £11,000 (1960, £61,000)		
On behalf of the Board, V. A. LAMBERT, A. J. CHAMBERS } *Directors.*		
TOTAL CAPITAL EMPLOYED	£1,557,657	£1,647,229

	1961 £	1960 £
VI FIXED ASSETS		
Freehold and Leasehold Land and Buildings, at cost	430,693	398,115
Plant, Machinery and Equipment, at cost	1,152,851	1,099,813
	1,583,544	1,497,928
Deduct:		
Depreciation provided to date:		
Freehold and Leasehold Land and Buildings	83,937	83,937
Plant, Machinery and Equipment	770,247	728,070
	854,184	812,007
FIXED ASSETS	729,360	685,921
VII CURRENT ASSETS		
Stock and Work-in-Progress at the lower of cost and net realisable value	1,002,569	1,054,650
Trade and Sundry Debtors	491,342	445,337
Tax Reserve Certificates	—	75,000
Cash at Bank and in hand	5,431	1,603
	1,499,342	1,576,590
Deduct:		
VIII CURRENT LIABILITIES AND PROVISIONS		
Bank Overdrafts	216,659	91,370
Trade and Sundry Creditors	297,267	304,921
Future instalments of Principal under Hire Purchase Contract	15,204	24,923
Provision for Current Taxation	115,109	147,968
Contribution to Staff Pension Trust Fund	2,000	2,000
Preference Dividend, less income tax	2,756	—
Proposed Final Ordinary Dividend, less income tax ..	22,050	44,100
	671,045	615,282
NET CURRENT ASSETS	828,297	961,308
ASSETS LESS CURRENT LIABILITIES	£1,557,657	£1,647,229

THE PROJECTILE AND ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year (fifty-two weeks) ended 30th December, 1961.

	1961 £	£	1960 £	£
Net Trading Profit of the Group, subject to Taxation after charging all working expenses including the following:		90,143		*289,591*
Depreciation of Plant, Machinery and Equipment ..	55,760		*52,379*	
Less Prior Years' Adjustment	4,461		—	
	51,299		52,379	
Remuneration of Holding Company Directors:				
Fees—Holding Company	5,287		*7,320*	
Subsidiaries	128		*128*	
Management Remuneration	14,909		*19,572*	
Interest on Debentures and Unsecured Loan	10,357		*11,834*	
Bank Interest	12,301		*815*	
Auditors' Remuneration (Holding Company £1,050) ..	1,205		*1,117*	
Taxation:				
Income Tax	30,382		*107,664*	
Profits Tax	10,790		*37,019*	
Equalisation Reserve	3,600		*7,000*	
	44,772		*151,683*	
Less Relief in respect of Investment Allowances.. ..	7,303	37,469	*11,540*	*140,143*
Net Profit of the Group for the Year		52,674		*149,448*
Deduct:				
Transfer to General Reserve	—		*75,000*	
Contribution to Staff Pension Trust Fund	2,000		*2,000*	
Dividends:—				
Preference—6 per cent., less income tax	5,512		*5,512*	
Ordinary—				
Interim 4 per cent., less income tax	14,698		*22,050*	
Proposed Final 6 per cent., less income tax ..	22,050	44,260	*44,100*	*148,662*
		8,414		*786*
Balances brought forward 1st January, 1961				
Holding Company	66,753		*69,988*	
Subsidiaries	10,620	77,373	*6,599*	*76,587*
Balances carried forward 30th December, 1961				
Holding Company	75,069		*66,753*	
Subsidiaries	10,718		*10,620*	
		£85,787		*£77,373*

THE PROJECTILE AND ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANIES

FOUR YEAR RECORD

	1961	1960	1959	1958
Capital Employed (at end of year)	£1,557,657	*£1,647,229*	*£1,597,909*	*£1,490,266*
Attributable to:				
Ordinary Shareholders	1,135,787	*1,127,373*	*1,051,587*	*976,230*
Preference Shareholders ..	150,000	*150,000*	*150,000*	*150,000*
Total Shareholders' Funds ..	1,285,787	*1,277,373*	*1,201,587*	*1,126,230*
Minority Interest in Subsidiary ..	7,640	*8,056*	*7,522*	*6,436*
Loans and Debentures	211,200	*241,200*	*271,200*	*301,200*
Future Taxation	53,030	*120,600*	*117,600*	*56,400*
	£1,557,657	*£1,647,229*	*£1,597,909*	*£1,490,266*
Sales	£2,737,000	*£2,822,000*	*£2,618,000*	*£2,517,000*
Net Profit before Tax	£90,143	*£289,591*	*£265,330*	*£135,208*
% on Total Shareholders' Funds	7·0	*22·7*	*22·1*	*12·0*
% on Sales	3·3	*10·2*	*10·1*	*5·4*
Net Profit after Tax	£52,674	*£149,448*	*£137,994*	*£84,466*
Earned on Ordinary Shares ..	£45,162	*£141,936*	*£130,482*	*£77,291*
Dividend on Ordinary Shares ..	£36,748	*£66,150*	*£55,125*	*£22,050*
Rate	10%	*18%*	*15%*	*6%*
Number of Times Covered by Earnings	1·2	*2·1*	*2·4*	*3·5*
Total Number of Employees ..	1,132	*1,061*	*936*	*902*

CITY NOTES

THERE is still little relief for the stock-markets. With Wall Street still under pressure, the London market has continued to react with lower prices throughout most sections of the equity market.

At times prices look like touching bottom, but any rally proves short-lived. Meanwhile the majority of company reports continue to point to pressure on profit margins with a slowing down in the volume of new orders being placed. Aligned with the slow volume of new business is a still declining margin of profit on new contracts achieved. It is this pressure on profit margins and, as a result, on earnings and dividends which is the root cause of the decline in share prices. Until there are signs of an improvement in earnings conditions, as distinct from industrial production volume, there is unlikely to be any true and reliable basis for a recovery in industrial equity share prices.

Inevitably the decline in values will attract support at varying stages. There were periods this week when equities looked distinctly brighter for a while, particularly following the first quarter balance-of-payments figures.

A rally under extremely thin market conditions, however, is a different matter from a rally based on true investment demand and it is doubtful whether the equity market has, as yet, reached a basis at which true investment demand can be attracted on any broad scale.

RATES AND PRICES

Closing prices, Wednesday, June 27th, 1962

Tax Reserve Certificates: (interest rate) 28·4·62 2¾%

Bank Rate

Oct. 27, 1960	5½%	Nov. 2, 1961	6%
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%

Treasury Bills

April 19	£4 5s 4·31d%	May 25	£3 16s 3·81d%
April 27	£4 1s 0·54d%	June 1	£3 15s 7·98d%
May 4	£4 1s 9·72d%	June 8	£3 15s 0·28d%
May 11	£3 19s 8·71d%	June 15	£3 14s 4·01d%
May 18	£3 17s 1·04d%	June 22	£3 16s 11·8d%

Money Rates

Day to day	2⅝–3⅞%	*Bank Bills*	
7 days	2⅜–3⅞%	2 months	4–4 1/16%
Fine Trade Bills		3 months	4–4 1/16%
3 months	5½–6%	4 months	4–4 1/16%
4 months	5½–6%	6 months	4–4⅛%
6 months	5¾–6½%		

Foreign Exchanges

New York	2·80¾–⅞	Frankfurt	11·20⅞–21⅛
Montreal	3·03¼–⅜	Milan	1742½–3
Amsterdam	10·08½–·09	Oslo	20·04–¼
Brussels	139·75¾–·76¼	Paris	13·76⅝–⅞
Copenhagen	19·35–¼	Zürich	12·12⅛–⅜

Gilt-edged

Consols 4%	62⅛xd	Funding 3% 59–69	85 5/16
Consols 2½%	40⅜	Savings 3% 60–70	82
Conv'sion 5¼% 1974	92	Savings 3% 65–75	72⅜
Conversion 5% 1971	91 15/16	Savings 2½% 64–67	88
Conversion 3½% 1969	88	Treas'ry 5½% 2008–12	90 7/16
Conversion 3½%	55⅝	Treasury 5% 86–89	84 3/16
Exchequer 5½% 1966	100 17/32	Treasury 3½% 77–80	70¾
Funding 5½% 82–84	91⅛	Treasury 3½% 79–81	71 1/16
Funding 4% 60–90	88¼	Treasury 2½%	40¼
Funding 3½% 99–04	60 7/16	Victory 4%	96¼
Funding 3% 66–68	86¼xd	War Loan 3½%	55 1/16

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Jennings v. Barfield and Barfield

In the High Court of Justice (Chancery Division)

May 23rd, 1962

(Before Mr Justice PENNYCUICK)

Income tax – Profession – Solicitors – Guarantee of client's overdraft – Payment under guarantee – Whether deductible – Income Tax Act, 1952, sections 122, Schedule D, paragraph 1 (a) (ii), 126, 137 (a), (e), (f).

The respondents, carrying on a practice as solicitors, had a client who had arranged to sell his house and to buy a piece of adjoining land for facilitating the sale and to acquire a motor showroom and a new house. Contracts for the purchase of the additional land were exchanged, and contracts for the sale of the house and the piece of land were signed but not exchanged, and the sale went off. Negotiations were in progress for the acquisition of the showroom and the new house, and the respondents were making preliminary inquiries in relation to these transactions. A contract relating to the showrooms was entered into, before the signing of the guarantee about to be mentioned, and a contract for the purchase of the house was made in April 1957.

The respondents were informed by the client's bank that he needed an overdraft to complete the acquisition of the showroom, and to pay a deposit on a house, and to provide funds for carrying on his business, and the respondents were asked whether they would guarantee the overdraft. The respondents agreed to do so up to £500, and a form of guarantee was later signed by them at a branch of the same bank near the address of their practice. The client was subsequently adjudicated bankrupt, and the respondents had to pay £412 under the guarantee.

For thirty years it had been the practice of the respondents to guarantee loans to clients during such a transaction, but this appeared to be the first occasion that they had been called upon to pay under a guarantee. Evidence to the same effect was given by a partner in another firm of solicitors, and evidence from a second firm of solicitors was tendered, but was not adduced, because the appellant was satisfied that that evidence would not carry the matter further. In the previous two or three years the respondents had acted in about twelve other transactions in which the client in question was concerned.

It was contended on behalf of the appellant that the £412 was not laid out or expended for the purposes of the respondent's profession within the meaning of section 137 (*a*) of the Income Tax Act, 1952; and that the deduction of that sum was prohibited by section 137 (*e*) and (*f*). It was contended on behalf of the respondents that the giving of financial assistance of that type was a part of the usual practice of solicitors; and that the £412 was expended wholly and exclusively for the purposes of the respondent's profession. The General Commissioners decided that the £412 was deductible.

Held: the General Commissioners' decision was correct.

C.I.R. *v.* Verdon-Roe

In the High Court of Justice (Chancery Division)

May 30th, 1962

(Before Mr Justice PENNYCUICK)

Surtax – Deed of covenant for seven years – First payment at date of deed – Second payment within twelve months – Whether payment period cannot exceed six years – Income Tax Act, 1952, section 392.

The respondent, on March 14th, 1958, executed a deed whereby he covenanted with trustees to pay, during the period of seven years from the date of the deed (or during joint lives), the yearly sum of £2,000. The first payment was to be made at the date of the deed, and subsequent payments were to be made on March 1st.

It was contended for the appellants that the deed had to be read so as to require one payment for each of the seven years, that is to say, that the payment due on March 1st, 1959, was referable to the second of the seven years and the payment due on March 1, 1964, was referable to the seventh year, which would begin on April 12th, 1964; and that no payment at all was due in that year. It was contended for the respondent that the expression 'every year' referred to calendar years; and that the deed did not infringe section 392 of the Income Tax Act, 1952. The Special Commissioners decided in favour of the respondent.

Held: the Special Commissioners' decision was correct.

Musker *v.* English Electric Co Ltd

In the High Court of Justice (Chancery Division)

June 5th, 1962

(Before Mr Justice PENNYCUICK)

Income tax – Engineering manufacturer – Supplying of 'know-how' under agreement with Government department – Whether sums received were trade receipts – Income Tax Act, 1952, Schedule D, Case I.

The respondent company, an engineering manufacturer, made land turbines and aircraft. In 1949 the Admiralty wished to have marine turbines made by other manufacturers to a prototype prepared by the respondent; and the respondent entered into an agreement with the Admiralty to provide manufacturing technique, engineering data and other information to the other concerns for that purpose and in consideration of lump-sum payments. In 1950, at the request of the Ministry of Supply, the respondent made a similar agreement with the Commonwealth of Australia in order to enable a type of aircraft to be manufactured there. The consideration in this agreement was expressed as a number of annual sums for the use of designs, drawings and information, and one lump sum for the supply of manufacturing technique, engineering data and other information. In 1951 the respondent, again at the request of the Ministry of Supply, made a similar agreement with a United States concern.

The Case I assessments on the respondent for 1951–52 and 1952–53 included the lump sums received under the three agreements. The company appealed against the inclusion of those sums, and the appeal was heard by the Special Commissioners after the decision of the House of Lords in *Evans Medical Supplies Ltd v. Moriarty*, but before *Commissioners of Inland Revenue v. Rolls-Royce Ltd* was heard in the Courts. The Special Commissioners decided in favour of the respondent.

Held: the sums in question were trade receipts of the respondent, and were properly included in the assessments under appeal.

Reviews

A Summary of Auditing Case Law

Eighth edition by E. MILES TAYLOR, F.C.A. (Textbooks Ltd, 20 Milton Road, Harpenden, Herts. 8*s* 6*d* net; 9*s* by post.)

This book has without doubt served as the basis of many an articled clerk's studies in the law as it affects professional accountants according to the interpretation of the Courts.

In this, the eighth edition, some of the older cases have been omitted and a number of more recent ones added. There is also a chapter on current trends in auditing itself, which would be better based on the English Institute's own memorandum than on the 1939 booklet of the American Institute. If we are indeed to pass from a consideration of the effect of case law on auditing to the arrangement of auditing tests themselves (a perfectly proper move) then surely it would be more helpful to do so in the context of a book on auditing unless it is merely intended to illustrate the background of the now famous *McKesson and Robbins* case; and one would certainly have expected from a chapter entitled 'Trends in auditing' some reference to what is generally known as 'auditing in depth'. There is good sense in the American Institute's booklet, but it is now, surely, of historical interest rather than a trend.

Apart from some page errors in the 'Contents' list (due, no doubt, to final revisions) the book otherwise remains a sound, helpful and concise handbook for students and practitioners wishing to refer to case law simply and speedily.

Of the ninety or so cases dealt with, only ten were before the Courts during the last decade and none of these deals with the broad principles that exercised the Courts in those cases arising at the end of the last century. It would be interesting at least, to see what today's Courts would say in the same circumstances as those of the older cases, and students might indeed give thought to this before applying older decisions too literally.

Income Tax Law and Practice

Twenty-ninth edition by H. G. S. PLUNKETT and C. A. NEWPORT, F.A.C.C.A., F.T.I.I. (Sweet & Maxwell Ltd, London. £2 10*s*.)

Some three years have elapsed since the last edition of this well-known standard text appeared. The main features of the new edition are a new chapter on the anti-avoidance legislation contained in the Finance Act, 1960, as well as a long revised chapter on the penalty provisions following the *Hinchy* decision. The discussion of Schedule E has been revised and includes a review of the 'golden handshake' legislation also introduced in the Act of 1960.

A new chapter on back duty, with the emphasis on the actual workings and negotiation of a settlement, has been prepared and an especially useful addition is a new chapter on settlements from the aspect of 'tax-saving'. The tax effects of the National Insurance Act, 1959, are discussed in a new section, which also includes an exposition of the Revenue viewpoint on the question of approving pension funds.

The Typists' and Private Secretaries' Guide to Practical Office Methods

by DEREK HENRY, A.C.W.A., M.I.O.M., F.INST.D. (Colin Venton Ltd, The Uffington Press, 22 High Street, Melksham, Wilts. 18*s* 6*d* net.)

Many of us have become accustomed, if not resigned, to the fact that the average girl who describes herself as a secretary has few qualifications other than an approximate mastery of the arts of shorthand-writing and typing. This useful little book provides some of the background information without which no secretary can adequately live up to her title.

The book falls into two sections. The first few chapters are devoted to a general description of the duties of the various kinds of executive to be found in the average commercial organization. The author, while making it clear that the precise division and scope of these responsibilities varies widely in individual firms, still gives an informative and concise general outline of the sort of tasks a secretary to any of these can expect her boss to perform.

Chapters 6 to 10 comprise general notes on office procedures and outline some of the equipment available. 'Ins and outs', for example, goes into mailroom routines and machinery; 'Dear sirs' covers styles and layouts used in correspondence, the uses of dictating machines and telephone manners and equipment. Other subjects include accounting machines and systems, duplicating machines and filing systems. Six appendices cover correct forms of address, printers' proof marks, and titles of some commonly-used reference books and journals devoted to office management.

For providing an easily assimilated and not too detailed comprehensive general background for the secretary, this book should be very useful. It should not, however, be regarded as a primer of private secretarial practice. The style is admirably lucid and the author mercifully avoids the coyness which afflicts some male authors when writing for women. It is illustrated with twenty-one good, clear photographs of office equipment.

Money in Britain

by C. R. JOSSET. (Frederick Warne & Co Ltd, London. 15*s* net.)

This history of the currencies of the British Isles, which is handsomely produced with eight photograph plates, traces the development of the British coinage and currency since Roman times. In this

respect it impresses the general reader as a comprehensive and conscientious study. The author includes what he describes as a 'background of political history' against which the evolution of Britain's currency may be seen, but this is not particularly successful. Any British accountant, however, who is interested in the development of his country's currency will find this work readable and highly informative.

Ranking, Spicer & Pegler's Executorship Law and Accounts

Twentieth edition by H. A. R. J. WILSON, F.C.A. (H.F.L. (Publishers) Ltd, London. 40*s* net.)

In the field of executorship law the branch which changes most frequently is that concerned with estate duty liability. It is in this respect that this standard work has been most altered. As usual the book is very clear and has been handsomely produced; indeed, for such a dull subject it is quite attractive. We would suggest that the table of cases would be improved if all appropriate references to the *Annotated Tax Cases* were included – not merely some of them. Moreover, the table of abbreviations might well explain the abbreviation 'A.T.C.'. We can only speak with approval of the text.

Book-keeping for Builders and Surveyors

by S. M. BELL, A.I.O.B., and M. STEWART, A.C.I.S. (Sir Isaac Pitman & Sons Ltd. 15*s*.)

This short work deals, in simple terms, in half its pages with the basic book-keeping knowledge required of all students, and a review of the more widely-met commercial documents. Thereafter follow a short chapter on building contracts, an example of a sole trader's accounts involving contract ledger accounts, and some discussion of partnerships and non-trading concerns.

It cannot fail to meet with success among students for the various examinations in the building and surveying fields, while the chapters on contracts and examples of contract ledger entries will be helpful to accountants seeking to know more of the underlying business. If further knowledge is needed by accountants of the demands imposed by the business of building on 'long-term' contract ledger entries, the accuracy of the examples and definitions in this book can be confirmed at leisure by re-reading those classic studies on the Honeywood File recorded many years ago by Mr Creswell. It is pleasant to meet so many of those phrases again.

In the present work, too, for the student reader, there are many exercises on each point discussed.

SHORTER NOTICE

THE INDIAN INCOME TAX ACT, 1961, by A. N. Aiyar, B.A., B.L., Senior Advocate, Supreme Court, and Chief Editor *Income Tax Reports and Company Cases*, and T. A. Ramachandran, B.A., B.L., Advocate, High Court, Madras, and Editor *Income Tax Reports and Company Cases*, published by Company Law Institute of India Private Ltd. This Act which came into effect from April 1st, 1962, amends and consolidates the law relating to income tax. Copies may be obtained from Gee & Co (Publishers) Limited, 151 Strand, London WC2, through their agents in India, Charles Lambert & Co, of Bombay.

DEBT SERVICING PROBLEMS OF LOW-INCOME COUNTRIES 1956–1958, by D. Avromovic and R. Gulhati. (Johns Hopkins University Press and Oxford University Press, London, 20*s* net.) Much is heard nowadays about the need for aid to the under-developed countries; rather less is heard about the problems which may arise in their efforts to repay the loan or even to service the debt charge out of their annual overseas earnings. This little book by two staff economists of the World Bank provides an authoritative account of the difficulties of three post-war years when world commodity prices, and thus the overseas earnings of the under-developed nations, were at low levels. Although intended for the specialist reader, this informative study will be appreciated by the intelligent lay reader for its insight into a particularly intractable international problem.

RECENT PUBLICATIONS

THE TRACHTENBERG SPEED SYSTEM OF BASIC MATHEMATICS, translated and adapted by Ann Cutler and Rudolph McShane. 5½×8½. 270 pp. 21*s*. Souvenir Press Ltd, London.

INVESTMENT AND GROWTH POLICIES IN BRITISH INDUSTRIAL FIRMS, by Tibor Barna. The National Institute of Economic and Social Research Occasional Papers XX. viii+74. 9×6. Card covers. 12*s* 6*d* net; Cambridge University Press, London.

LOCAL AUTHORITY BORROWING, A Research Study by Messrs N. Doodson, F.I.M.T.A., F.S.A.A., R. H. A. Chisholm, F.I.M.T.A., G. Cottam, F.I.M.T.A., F.S.A.A., E. J. D. Lloyd, F.I.M.T.A., F.S.A.A., A.C.I.S., W. Nuttall, F.I.M.T.A., F.C.W.A. 169 pp. 9×6. 30*s* post free. The Institute of Municipal Treasurers and Accountants, London.

PRINCIPLES OF ACCOUNTING, by Stanley W. Rowland, LL.B., F.C.A. Seventh edition revised by R. E. Seaborne, F.C.A. xvi+640 pp. 9×6. 27*s* 6*d* net. The Donnington Press, St Albans. London: Cassell & Co Ltd.

THE DUODECIMAL BOOK WITH TABLES, second edition, by L. A. Poulden, F.I.A.S. 320 pp. 7½×5. 15*s* net. Cleaver-Hume Press Ltd, 31 Wright's Lane, Kensington, London W8.

GERMAN-ENGLISH GLOSSARY OF FINANCIAL AND ECONOMIC TERMS, fourth edition, by C. A. Gunston and C. M. Corner. 1,060 pp. 7½×5. £4 10*s* post free. Fritz Knapp Verlag, Frankfurt/Main. London: Patria Translations Ltd, 22 Cheyne Walk, London NW4.

MUNRO'S BOOK-KEEPING AND ACCOUNTANCY, by Andrew Munro, F.C.I.S. Twentieth edition by Alfred Palmer, F.C.A. viii+582 pp. 7½×5. 14*s* 6*d*. Sir Isaac Pitman & Sons Ltd, London.

MENTAL HOSPITALS AT WORK, by Kathleen Jones, PH.D., and Roy Sidebotham, B.A.(COM.), A.R.A.N.Z., A.I.M.T.A., A.A.C.C.A. x+226 pp. 9×6. 30*s* net. Routledge & Kegan Paul Ltd, London.

TAXATION MANUAL, tenth edition, compiled under the direction of Percy F. Hughes, F.C.I.S., A.S.A.A. xxxi+504 pp. 9×5½. 30*s* net (31*s* 6*d* post free). Taxation Publishing Co Ltd, London.

MEASUREMENT OF WORKING CAPITAL, by R. H. S. Beacham, B.COM., F.COMM.A. 82 pp. 8½×5½. Card covers. 10*s* 6*d* net post free. The Society of Commercial Accountants Ltd (by guarantee), 31 Stoke Grove, Westbury-on-Trym, Bristol.

A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.

New Offic

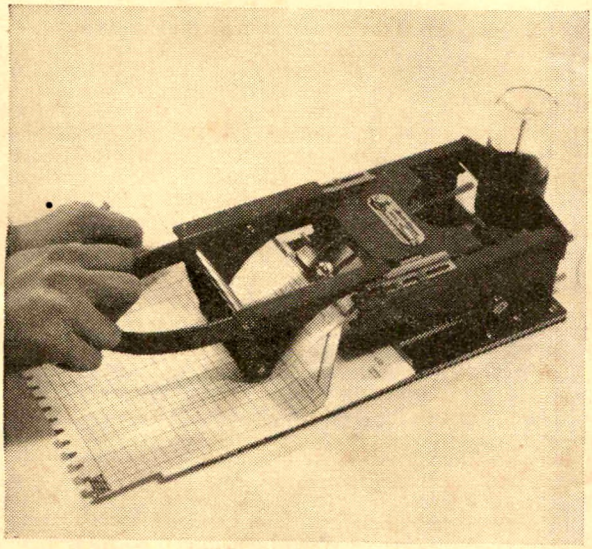
Low-Cost Addressing

IN the *Master Addresser* system, addresses are typed on small, self-adhesive patches, supplied in strips for easy handling and backed by a sheet of hecto carbon. Finger pressure fixes the patches on index, ledger, hand-punched or other types of card which deviate from the standard only by the inclusion of a small aperture over which the patch is placed.

Addressing is done direct from these record cards which are placed in a spirit duplicator little larger than a telephone together with envelopes or other stationery. Imprinting is done with a single movement so the system, although hand-fed, is quite fast.

The user of any card record system is, by this method, provided with an extremely economical address file which forms part of his original system. No new method need be evolved, no new file created. The *Master Addresser* system is excellent for any application where constant amendments are needed and/or where random selection of addresses, too widely spaced in the file to make automatic selection feasible, is needed. The machine costs £35.

Master Addresser Agency Ltd, 8 Botolph Lane, London EC3.



Master Addresser

Automated Mailing

THAT tedious job, envelope stuffing, is completely automated by the newest machine in the *Inserta* series. It folds and inserts documents from $5\frac{1}{2} \times 3\frac{1}{4}$ in. to $8\frac{1}{2} \times 13$ in. in size at speeds up to 3,600 enclosures per hour in envelopes measuring $6 \times 3\frac{1}{4}$ in. to 9×4 in.

Enclosures are transported by automatic suction feed to the dual folder mechanism which is easily adjusted to make single, wallet, accordion, letter, short flap or double folds. From thence they pass to the inserting unit which places them in envelopes it subsequently seals or not, as required. Safety devices stop the machine if incorrect feeding occurs.

Prolonged preliminary trials have proved the machine's reliability, the makers say, and have demonstrated that it can be used without special training. It is said to be so accurate that window envelopes can be used with confidence.

Base measurement is 5×4 ft; weight 520 lb.

Price: £825.

Adrema Ltd, Telford Way, London W3.

Multi-Purpose Cabinet

SURPRISINGLY drastic savings in floor and table space can be achieved by combination cabinets which provide facilities for a number of different kinds of filing and storage. Such a one is the new *Vertilec*, made of steel, which can accommodate suspended or shelf filing, card index drawers and shelves with movable vertical dividers.

Six feet high, 3 feet wide and measuring 18 inches from back to front, the *Vertilec* is basically a shell into which any permutation of interior fittings can be placed. It can therefore not only be supplied to suit individual requirements but can, if necessary, subsequently be rearranged inside. An unique feature is the design of its flexible, pull-down front blind which cannot be pulled aside, once in position. Alternatively, a heavy-duty roller shutter can be supplied. Either type of cover is lockable.

Price: From £25.

Peter Williams (Filing Systems) Ltd, 18–21 Charterhouse Square, London EC1.

Centralized Machine Reporting

UP to sixty factory machines automatically record their idle and running time and the duration of stoppages on a single electric typewriter by a system known as *Damsel*. A manually-operated key allows the machine operative to supplement this basic detail with a code number indicating the reason for a stoppage.

Each machine is provided with a control pack which causes it to report on the central typewriter at regular predetermined intervals. These, which may vary at fixed lengths in a range from one to sixty minutes, are determined by the operator. The print-out signal may be a colon in the appropriate column of a sheet of continuous stationery sprocket-fed through the typewriter, or a vertical stroke. Down time is indicated by a figure 0 in red.

The fault coding switch, which the operative uses to designate the stoppage reason just before restarting his machine, doubles as a summons for aid, since it can employ a second code to indicate the type of help needed. If desired, the times of the maintenance engineer's arrival and departure can also be indicated on the print-out.

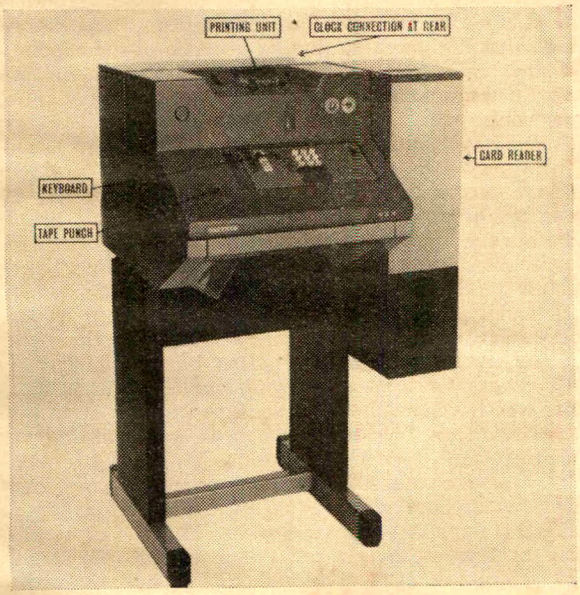
When demonstrated at the recent Production Control Exhibition, *Damsel* used an *IBM* electric typewriter with a 20-in. carriage. The makers believe that, by fitting a 30-inch carriage, they could record the performance of up to 150 machines on a single sheet.

The Digital Engineering Co Ltd, Brighton 7, Sussex.

Equipment

Data Collection System

THERE are several interesting points about the British Olivetti *RP* data collection system – a non-electronic method for recording details of operations on the factory floor. First, since there is no automatic transmission to a central point, the cabling which is normally such an expensive feature of such systems, is eliminated. Second, it provides a printed record on the spot; third, it can incorporate local calculating facilities of the type provided by a book-keeping machine.



British Olivetti RP System

The system, which records on perforated paper tape, provides facilities for automatic reading from standard punched cards and for making manual entries via a conventional adding-machine-type keyboard. Individual assemblies are made from any required number of independent units – of which there are three types. It is thus completely flexible.

Component parts of the collector unit are: a cable connection for automatic time registration from a central clock system; a punched-card reader with a speed of 850 columns per minute; a ten-key keyboard for manual entry of variable data; an internal 'memory' for storing constant data; a printing unit with a capacity of up to twelve digits, the date and an alphabetical transaction symbol on each machine cycle; a twelve-digit register (with credit balance) for adding, subtracting and totalling; manual control keys for recording out-of-the-way items or correcting; the built-in paper tape punch.

Variations which make up the different models comprise the inclusion or exclusion of the clock connection, the credit balance register and the manual keyboard.

Already in use by a number of European companies in several countries, the *RP* system is probably most valuable in applications where the proportion of fixed data is high and therefore the bulk of recording is done by automatic reading of pre-punched cards. It is suitable for use by organizations who have their own punched-card installations (and would employ a tape-to-card converter), or an electronic computer, or employ either of these through a service bureau.

Price: From £500.

British Olivetti, 30 Berkeley Square, London W1.

Extra Carriage for Typewriter

A FIFTEEN-INCH carriage is now available for the Beaucourt *Style* standard typewriter to fill the gap between the 12 and 18 in. lengths supplied until now. Like many Continental typewriters, this French machine has a completely detachable self-contained carriage mechanism, so that the operator can substitute one length for another within a few moments.

Other features include a built-in sound absorbent base and a decimal or single bar tabulator. There is a range of eight typefaces from which to choose.

Price: £69; carriage only £32.

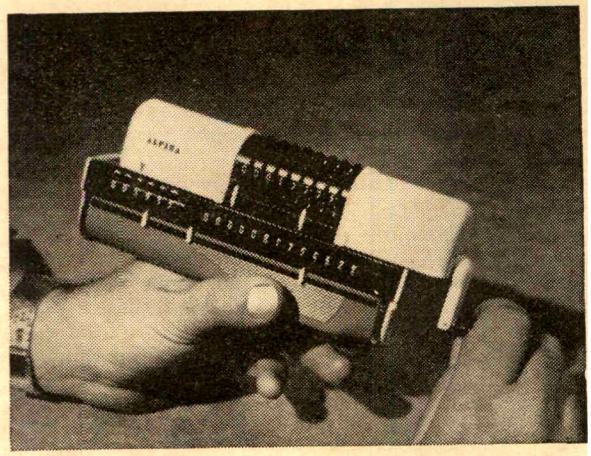
B.M.J. (Beaucourt) Ltd, 27 Chancery Lane, London WC2.

Miniature Calculator

ENGINEERS, surveyors and others who feel as unhappy without a calculating machine as a journalist feels without his typewriter will appreciate the *Alpina*, a West German machine now available here. This little calculator, which has a capacity of $8 \times 6 \times 13$ with setting register and full tens transmission, is completely portable since it measures only $6\frac{1}{2} \times 2\frac{7}{8} \times 1\frac{1}{4}$ in. and weighs $19\frac{1}{2}$ oz.

Described by its British distributors as a precision instrument, the *Alpina* does all four arithmetical operations. Its price of £45 includes a standard carrying case. An extra £3 10*s* will buy a desk stand or a leather carrying case with shoulder strap.

Lows Calculators Ltd, 180–182 Tottenham Court Road, London W1.



Alpina Calculator

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Special General Meeting of Members

A special general meeting of members of The Institute of Chartered Accountants of Scotland was held at Chartered Accountants' Hall, Glasgow, last Monday, June 25th, with Mr J. C. Stewart, C.A., the President of the Institute, in the chair.

Mr Stewart explained the Council's plans for initiating an accountancy research programme and for adjusting the Institute's deficit in its educational activities. In the course of his speech he referred to recruitment of apprentices generally and in particular to the proposed new scale of apprentices' remuneration; to research and communications; to professional fees and charges; and to the value of the Institute's relations with other accountancy bodies at home and overseas. The full text of Mr Stewart's address is reproduced below.

PRESIDENT'S ADDRESS

As is apparent from the circular accompanying the notice calling this meeting, the meeting has its genesis in the Report of the Policy Committee appointed by the Council in 1957. Excerpts from that Report and a summary of the Council's conclusions thereon were circulated to all members in March of this year. This was done so that members might have an opportunity to consider the Report before any specific proposals arising from it were laid before them for their approval. The Report was the product of a great deal of hard work by Sir Ian Bolton and the Committee and sub-committees working with him and I would take this opportunity of acknowledging the debt which members owe them for their labours.

No adverse criticism of the Report has been received, on the contrary the document has produced more favourable comment (some of it indeed enthusiastic) than is normally accorded to official documents issued from Queen Street. This is a happy experience for those responsible.

The circulars accompanying the notice calling this meeting set out the general background against which the proposals which you are to consider this morning are made, but it is desirable that some details should be filled in.

Recruitment and Training

First of all I should like to deal with the educational side of the Institute's activities. The costs involved, which were always known to be substantial, have for the first time been clearly set before the members in the new form of the Institute's accounts. The costs, of course, are not entirely educational in the strict sense, and are, perhaps more properly described by the rubric used in the accounts, viz. 'Recruitment, training and examination of apprentices'. Nevertheless these costs are incurred for the benefit of students and, so far as the employment of apprentices still continues to be a benefit to masters, for the benefit of those masters who employ apprentices. The net costs under this heading, as shown in the accounts, amount to something over £18,000, and as we have about 2,000 apprentices or time-expired apprentices in course of training, this means an annual cost to the Institute of approximately £9 per student. The continuation of the educational work of the Institute as one of its main activities is not in question, nor is any curtailment of that work contemplated. On the contrary, methods of making it more effective are always being sought, but other activities must be developed also. The Council considers, therefore, that it is fair that instead of meeting the expense of such developments by additional levies on members, a greater proportion of the educational costs should be recovered from those for whose benefit they are incurred. The Council and its Committees concerned have given very careful thought to the methods by which this might be done, and the proposals now before you are considered to be fair and reasonable, and to spread the burden equitably.

Before passing from this subject, may I say a word about recruitment of apprentices generally, and in particular about the proposed new scale of apprentices' remuneration. There is increasing competition to secure the services of the brighter boys – and girls – who possess the necessary educational qualifications and who have by school-leaving age shown their ability to benefit from further education. If our Institute is to secure a fair share of the country's youthful ability, entry into a chartered accountancy apprenticeship must be shown to have at least equal attractions to entry upon training for any other profession. This, of course, is not by any means entirely a question of the initial salary scale or even of the amount of studying to be done, or the difficulty of the examinations to be passed. Nevertheless there is to a youth leaving school an apparent attraction in whole-time as against part-time study added to practical daytime work, which under the existing system of grants for university students weighs the scales seriously against an open profession such as ours for which a university degree is not essential. I remain convinced that an apprenticeship system lays the best foundation for that professional outlook which it is essential to preserve and fosters the correct attitude in mind towards the client and that independence of judgment which in addition to adequate technical skill and knowledge are necessary for the proper exercise of our profession. The high standing of the profession will undoubtedly suffer if the only criterion of success in it and the only attraction to the new recruit becomes a monetary one. The suggested scale of apprentices' remuneration which is put forward after very careful study by the Committee concerned, does, in the opinion of the Council, hold the balance as fairly as possible, in that it is not so high as to be likely to attract anyone looking only for quick rewards, while, on the other hand, it does not make entry to the profession impossible to those of limited means.

Research and Communications

I pass now to the subject of research and communications. Personally I find the word 'research' in this connection rather a confusing one forced on us by the mode of thought of our scientific age. It seems almost impossible to describe the process of detached thought about the fundamentals of any trade, profession or whatever it may be otherwise than as research. As I am sure you will agree, time to think is not only something we all earnestly seek; it is also one of the most difficult things to find. In encouraging accounting research, the Council has in mind that by this means and through communal effort some time for thought may be found for the general benefit. The ways in which the Institute can most easily help seem to be by providing assistance for the necessary accumulation of data which must precede any constructive thought and by the provision of a framework within which members may collaborate to devote some time to research even though individually no one of them can on his own spare sufficient time to carry a research project through to its conclusion. It is envisaged that a large part of the work done with the encouragement of the newly-established Research and Publications Committee will be voluntary, but, without the assistance which the Council proposes to provide by way of a research assistant and certain secretarial services, it is doubtful if any useful activity of this kind could be carried on at all. The Council quite properly feels that, if the Institute is to maintain its standing among the professional accounting bodies, it must do something to encourage those who are prepared to think about accounting principles and to lead the way in the development of accounting thought. The Council also feels that, both in order to facilitate the dissemination of the results of the research which it proposes to encourage and to foster closer links with all members, *The Accountants' Magazine* should be issued to all members as one of the services covered by the normal membership subscription. It has been a great source of gratification to the Council to find that members, both those practising and those engaged in industry and commerce, who have attended the Summer Schools, Electronic Data Processing Courses, and other similar activities almost unanimously express the opinion that (apart from such direct benefit as they have gained from attendance) they have also gained through their attendance there a feeling of belonging to a live body and of sharing in a community life. The general issue of the magazine should stimulate this feeling and it is to be hoped that members will not regard the magazine as merely a superior kind of circular, which 'they' at Queen Street, send out, but as 'our' magazine, in which all may take an interest and in the production of which all can at some time and in some way have a part.

Professional Fees

I turn now to the subject dealt with in another of the circulars which accompanied the notice of this meeting namely, the question of professional fees. It is axiomatic that without a proper standard of remuneration for those engaged in practice, whether as principals or assistants, the profession will languish and eventually die. The Council is aware, from information made available in connection with the survey made when the question of doctors' and dentists' remuneration was under review, and by a small pilot survey which it recently made privately, that there is an undue disparity between the earnings of those in the offices of practising accountants and the earnings of those members who are engaged in industry and commerce. This has two serious and unfortunate effects. It leads many to consider from the very start of their apprenticeship the attainment of membership merely as a stepping-stone to employment in industry and commerce instead of as an entry into a profession, and it diverts to other means of entry into the accounting posts in industry and commerce a number who would otherwise train in professional offices and eventually become members of the Institute. In both these ways the profession in its public practice aspect is weakened.

In the opinion of the Council any direct action for the regulation of fees would involve so many rules an such a complicated apparatus for their enforcement that it is neither practicable nor desirable. While this means that members must use their own initiative in dealing with the problem and must largely look after themselves the Council is anxious to encourage them in doing so, and to give a lead such as is provided by the circular just issued which it is hoped may result in raising the general level.

On the subject of fees generally there are one or two observations which I would wish to make.

It is no longer true that accountants' offices can be run, if they ever could, on cheap apprentice labour. As a corollary to this, however, the practising accountant should always have in mind that many auditing procedures which may have been appropriate in more leisurely times and when accounting standards in clients' offices were low are no longer appropriate and that he cannot expect to be paid full professional rates for doing unnecessary work and unintelligent repetitive checking. On the other hand, clients – I speak now mainly of the smaller type of client – should not expect their accountants or auditors, often without any, and almost always without adequate, additional remuneration, to provide extra professional services to make good deficiencies in their own accounting arrangements. Again I would ask our own members employed in industry and commerce, who are so often involved in considering fees charged by practising members to bear in mind that they should be willing to pay rates for outside professional accounting services which would enable the practising accountant to employ staff at the same level of remuneration as these members in industry are obviously willing to pay their full-time assistants.

The publication of the Policy Report and the proposals now before you do, I think, show that the Council is active in promoting the interests of members. A great deal of work is done by the Council and its Committees, much of which is unknown to the majority of members, and I should like to take the opportunity to comment on two other matters which are not directly before you this morning.

Relations with Other Accountancy Bodies

One is that increasingly the Council finds itself involved in discussions with other bodies both at home and overseas. The results may often seem to be only of indirect significance to members generally. For instance at the present time much of our thought is devoted to the possible consequences to the profession if this country enters the Common Market and I would

emphasize that those consequences could be far-reaching and affect every one of us, however domestic we believe our concerns may be. It is impossible to measure directly the value of work of this kind, any more than that of submitting evidence to Royal Commissions and departmental committees but the part played by the Institute is important in preserving the standing and influence of the Institute in the general accounting and financial field and in the business world at large. The Institute's relations with other accountancy bodies at home and overseas are close and friendly and, I am glad to say, show every sign of becoming more close and if possible more friendly, and its standing, as I have found from the personal contacts I have been privileged to make, is in keeping with our position as the oldest organized body of accountants in the world – still first.

The other matter concerns the increasing number of members who are engaged in industry and commerce and who at present do not play, and indeed do not have an opportunity to play, a part in the general work of the Institute commensurate with their numbers. I am glad to say that more of these members are taking an active interest in the affairs of the Institute and are working on various committees, and the question of additional representation on the Council is under consideration. It is to be hoped that before long means will be found to increase the number of so-called non-practising members who are members of the Council and who otherwise share in the Institute's work.

I trust that members will show their approval of the Council's activities on their behalf by adoption of the resolutions which are about to be put to them. Apart from the resolutions concerned with the matters about which I have spoken, the others are matters of routine and do not, I think, require any comments other than the explanations given in the notice and accompanying circulars, but there will be an opportunity for questions before the resolutions are put.

The meeting approved a resolution to increase the fee payable on admission to membership of the Institute and also approved amendments to the Institute's rules which, among other things, increased the fee payable on registration of indenture of apprenticeship.

Notes and Notices

THE ACCOUNTANT

Index to Vol. CXLVI: January–June 1962

The general index to this volume – January to June 1962, Vol. CXLVI – will be published with the issue dated July 7th, 1962.

The parts of this volume should therefore not be sent for binding until the index has been added.

PROFESSIONAL NOTICES

MESSRS BLACKBURNS, ROBSON, COATES & CO, Chartered Accountants, announce the removal of their London office to 4 Copthall Avenue, London EC2.

MESSRS CHENNELL & CO, Certified Accountants, of 3 St Peter's Place, Brighton 1, announce that they have taken into partnership Mr GEOFFREY GILBODY, A.A.C.C.A., and Mr JULIAN JOURNEAUX, A.A.C.C.A., both of whom have been with the firm for many years. They also announce that they will shortly open a branch office at 45 Church Road, Burgess Hill, Sussex, with Mr H. F. H. SHARP, F.A.C.C.A., as resident partner, although he will not be severing his connection with the present office.

MESSRS COOPER BROTHERS & CO and COOPERS & LYBRAND, of Lagos, Nigeria, and Accra, Ghana, announce that Mr JOHN JEFFREY CLEE and Mr GUY WILLIAM FARNELL PIDGEON have been admitted to partnership.

MESSRS ELLIS GOODMAN & CO and Messrs LAURENCE MYERS & CO of 4 Blenheim Street, New Bond Street, London W1, announce the amalgamation of their practices under the style of GOODMAN MYERS & CO as from June 1st, 1962. The partners of the new firm will be Mr ELLIS GOODMAN, A.C.A., and Mr LAURENCE MYERS, A.C.A. They also announce that the new firm will move to new premises at 47 Albemarle Street, London W1, on June 30th, 1962.

MESSRS RAWLINSON & HUNTER, Chartered Accountants, of 51 Green Street, London W1, announce that they are taking into partnership Mr RONALD BERTRAM BEXLEY, F.C.A., and Mr PETER ANDREW HETHERINGTON, A.C.A., as from July 1st, 1962.

Appointments

Mr Patrick G. Corbett, T.D., F.C.A., has been elected a director of Amalgamated Stores Ltd.

Mr H. Cresswell, F.C.A., accountant of Turner & Newall Ltd, has been appointed financial controller of the company.

Mr F. J. A. Mangeot, F.C.A., has been appointed joint managing director of E-A Flight Automation Ltd.

Mr T. Bruce Roberts, M.B.E., F.C.A., has been appointed deputy chairman of Imperial Typewriters Co Ltd.

Mr S. B. Smith, F.C.A., has been elected deputy chairman of Banister Walton & Co Ltd.

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Ir Malcolm G. Thomas, A.C.A., secretary of G. F. ell & Co Ltd, has been appointed a director of the ıpany.

OBITUARY

John Haydock, C.A.

s with regret that we record the death at the age of at his home in Whitecraigs, Glasgow, of Mr John dock, C.A., former secretary of Alexander Stephen ons Ltd.

dmitted a member of the former Institute of ountants and Actuaries in Glasgow in 1909, Mr dock joined Alexander Stephen in 1917 and was ointed secretary of the company in 1925. His rement in 1954 followed thirty-seven years of active ice with the company, although his association nded back to 1904 when, as a member of a Glasgow of chartered accountants, he was concerned with company's audit.

Walter Percy Gill, F.C.A.

with regret that we record the death on June 18th, ıe age of 68, in Norwich, of Mr Walter Percy Gill, A., senior partner in the firm of W. P. Gill & Co, rtered Accountants, of Lowestoft.

native of Norwich, Mr Gill was admitted to ıbership of the former Society of Incorporated ountants in 1923, later becoming a partner in the of Tunbridge Lacy & Co, in the early 30s. He elected a Fellow of the Society in 1947 and for two s served as President of the East Anglian District ıe Society. He formed his own firm of W. P. Gill o, in 1958.

Ir Gill was a prominent member of Lowestoft mber of Commerce and was a member of the estoft Youth Employment Committee.

INQUIRY INTO COPE'S POOLS LTD

S. John Pears, F.C.A., senior partner in the firm ooper Brothers & Co, of London, and a Past-ident of The Institute of Chartered Accountants in land and Wales, and Mr N. J. Skelhorn, Q.C., have appointed by the Board of Trade under section (*b*) of the Companies Act, 1948, to investigate the rs of Cope's Pools Ltd.

HIRE-PURCHASE FINANCE COMPANIES

atistical Inquiry into Assets and Liabilities

art of the programme to implement the recom-dations on statistics included in the Radcliffe rt on the Working of the Monetary System, the d of Trade is to seek further statistical information the hire-purchase finance companies which con-te to its inquiry into hire-purchase turnover and

ıe additional information will be collected quarterly and will throw light on the sources on which the companies depend for their finance, and on their assets other than those relating to hire-purchase business.

The Board of Trade has consulted the Finance Houses Association, the Hire Purchase Trade Association and the Industrial Bankers Association about the details of the questionnaire to be sent out. Information relating to an individual company will be treated in strict confidence and will be used only for compiling statistics of the assets and liabilities of hire-purchase finance companies as a group.

BRISTOL AND WEST OF ENGLAND SOCIETY OF CHARTERED ACCOUNTANTS

At the recent annual meeting of the Bristol and West of England Society of Chartered Accountants, Mr T. B. Pritchard, F.C.A., financial director of Bristol Aircraft Ltd, was elected President of the Society for the year 1962–63.

Mr T. B. Pritchard

Educated at Magdalen College School, Oxford, Mr Pritchard was admitted as an Associate of the Institute in 1936, having obtained second place in the November 1935 examinations.

During the Second World War Mr Pritchard served with the Royal Artillery retiring with the rank of Lieutenant-Colonel, subsequently joining Messrs Thomson, McLintock & Co as manager of their Cardiff office. In 1952 he joined the Bristol Aircraft Company as chief accountant, and was appointed to his present position in 1956.

Mr Pritchard has been a member of the committee of the Society since 1959, and has served as Vice-President and also as Chairman of the Bristol Branch. He has been a member of the Society's Regional Taxation and Research Committee since 1956, and of the Institute Taxation and Research Committee since 1961.

Other new officers of the Society for the ensuing year are as follows:

Vice-President: Mr S. Edgcumbe, J.P., F.C.A.
Hon. Secretary: Mr R. C. Bassett, A.C.A., Ware, Ward & Co, 7 Unity Street, College Green, Bristol 1.
Hon. Dinner Secretary: Mr Gordon Henby, F.C.A.
Hon. Treasurer: Mr W. E. Dewdney, F.C.A.
Hon. Librarian: Mr R. A. Chermside, J.P., F.C.A.

Annual Report

The annual report of the committee for the year 1961 shows that membership of the Society on December 31st totalled 716.

Meetings were held during the year at the Society's

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four area branches. The annual dinner of the Society held in Bristol on November 2nd was attended by over 200 members and guests; the President of the Institute; Mr Ted Leather, M.P., and the Lord Mayor and Sheriff of Bristol were among the principal guests. In addition, branch dinners were held in Exeter and St Ives.

Referring to students' activities, the report expresses satisfaction on the completion of another successful year. Revision courses for the Institute's Intermediate and Final examinations provided by Bristol College of Commerce were once again oversubscribed. Student membership in the Cornwall and Plymouth area increased in 1961. Five lectures and a two-day course were held at Plymouth and four lectures at Truro were all well supported. The report mentions that it is hoped to form a students' society at Gloucester in the near future.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Taxation and Research Committee

The one hundred and twenty-first meeting of the Taxation and Research Committee of The Institute of Chartered Accountants in England and Wales was held on Thursday, June 14th, 1962, at 2 p.m.

Present: Mr J. Carter (in the chair). Messrs F. W. Allaway, G. R. Appleyard, G. L. Aspell, T.D., J. T. Barraclough, R. D. R. Bateman, M.B.E., C. J. M. Bennett, K. A. Buxton, L. H. Clark, N. Cassleton Elliott, R. W. Foad, E. S. Foden, C. R. P. Goodwin, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., S. Kitchen, C. Yates Lloyd, A. G. Martin, S. A. Middleton, G. P. Morgan-Jones, F. L. Moulding, E. J. Newman, R. D. Pearce, J. Perfect, A. H. Proud, H. Robinson, C. Romer-Lee, H. G. Sergeant, D. E. T. Tanfield, C. C. Taylor, L. R. Turner, D. C. Urry, J. G. Vaughan and G. H. Yarnell, (thirty-five members) with the Assistant Secretaries to the Committee.

Membership

The Chairman extended a warm welcome to Mr F. L. Moulding (Sheffield) who was attending a meeting of the Committee for the first time.

Subcommittees

Reports of progress were received from twelve subcommittees and two new subcommittees were appointed.

Future Meetings

The one hundred and twenty-second meeting of the Committee will be held on Thursday, July 26th, 1962, and the following dates have been provisionally fi for further meetings in 1962:

Thursday September 13th, 1962.
" October 18th, 1962.
" December 13th, 1962.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and pray be held at 1 p.m. on Monday, July 2nd, in the v at St Mary Woolnoth Church, King William S EC3. The scripture for reading and thought wi 1 Corinthians, Chapter 2, verses 9 to 16 (Teachin the Spirit).

FILMSTRIPS ON E.D.P.

Three new additions to the series of sound films on electronic data processing produced by the tronic Data Processing Division of The Institu Office Management are now available. The titles o filmstrips, which have been produced by membe the Institute who have practical experience of application of electronic computers to office worl 'Do you need a computer?'; 'Programming introduction', and 'Installing a computer'.

The first filmstrip, which has a running tim twenty-eight minutes, discusses such questions whether to employ outside consultants or an O. service. It also explains how to set a realistic time for the change-over to a computer. The second strip deals with the general principles of programr the qualifications required of programmers includes a brief account of the evolution of prog ming. Running time is thirty minutes. The third strip features some enlightening essential aspe successful computer installation. Running tin thirteen minutes.

The first two filmstrips cost £15 (for members Institute £10) and the third one £10 (for membe the Institute £8). Each filmstrip is accompanied recorded commentary suitable for reproductic 33⅓ r.p.m. They are available from the secretary, Institute of Office Management, 56 Victoria S London SW1.

PROFESSOR A. GOUDEKET

It is regretted that, due to incorrect informatio wrongly described Professor A. Goudeket's univ appointment in the caption to his photograph duced in last week's issue. Professor Goudeket fact, Senior Professor of Auditing in the Univers Rotterdam.

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